

**EDISON OPTO CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12~13
(6) Explanation of significant accounts	13~38
(7) Related-party transactions	38~39
(8) Pledged assets	39
(9) Commitments and contingencies	40
(10) Losses Due to Major Disasters	40
(11) Subsequent Events	40
(12) Other	40~41
(13) Other disclosures	
(a) Information on significant transactions	41~44
(b) Information on investees	44~45
(c) Information on investment in mainland China	45~46
(d) Major shareholders	46
(14) Segment information	47



安侯建業聯合會計師事務所

KPMG

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

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

## Independent Auditors' Review Report

To the Board of Directors of Edison Opto Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of EDISON OPTO CORPORATION and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$386,745 thousand and \$482,861 thousand, constituting 10.04% and 13.63% of consolidated total assets at September 30, 2021 and 2020, respectively, total liabilities amounting to \$26,855 thousand and \$183,463 thousand, constituting 2.31% and 18.96% of consolidated total liabilities at September 30, 2021 and 2020, respectively, and total comprehensive income (loss) amounting to \$8,017 thousand, \$(7,602) thousand, \$23,894 thousand and \$(10,204) thousand, constituting 45.64%, (22.72)%, (43.09)% and (120.93)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of EDISON OPTO CORPORATION and its subsidiaries as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 12, 2021

**Notes to Readers**

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

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



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

**EDISON OPTO CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30				For the nine months ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(s))</b>	\$ 485,432	100	478,432	100	1,606,162	100	1,459,218	100
5000 <b>Operating costs (notes 6(f)(g)(h)(n))</b>	<u>376,226</u>	<u>78</u>	<u>382,779</u>	<u>80</u>	<u>1,211,615</u>	<u>75</u>	<u>1,190,489</u>	<u>82</u>
<b>Gross profit from operations</b>	<u>109,206</u>	<u>22</u>	<u>95,653</u>	<u>20</u>	<u>394,547</u>	<u>25</u>	<u>268,729</u>	<u>18</u>
<b>Operating expenses (note 6(e)(g)(h)(l)(n)(q)(t)):</b>								
6100 Selling expenses	22,627	5	19,299	4	76,452	5	62,220	4
6200 Administrative expenses	37,086	7	28,663	6	128,793	8	106,797	7
6300 Research and development expenses	25,094	5	30,957	6	77,889	5	78,687	5
6450 Impairment loss (reversal of impairment losses)	<u>(492)</u>	<u>-</u>	<u>9,359</u>	<u>2</u>	<u>(6,167)</u>	<u>-</u>	<u>18,739</u>	<u>1</u>
<b>Total operating expenses</b>	<u>84,315</u>	<u>17</u>	<u>88,278</u>	<u>18</u>	<u>276,967</u>	<u>18</u>	<u>266,443</u>	<u>17</u>
6900 <b>Net operating income</b>	<u>24,891</u>	<u>5</u>	<u>7,375</u>	<u>2</u>	<u>117,580</u>	<u>7</u>	<u>2,286</u>	<u>1</u>
<b>Non-operating income and expenses (note 6(g)(i)(j)(k)(l)(m)(u)):</b>								
7100 Interest income	4,033	1	3,920	1	10,960	1	14,799	1
7010 Other income	1,301	-	10,496	2	3,917	-	16,530	1
7020 Other gains and losses	1,648	1	5,806	1	(6,751)	-	2,885	-
7050 Finance costs	<u>(4,797)</u>	<u>(1)</u>	<u>(1,895)</u>	<u>-</u>	<u>(15,483)</u>	<u>(1)</u>	<u>(6,414)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>2,185</u>	<u>1</u>	<u>18,327</u>	<u>4</u>	<u>(7,357)</u>	<u>-</u>	<u>27,800</u>	<u>2</u>
7900 <b>Profit from continuing operations before tax</b>	27,076	6	25,702	6	110,223	7	30,086	3
7950 Less: Income tax expenses (note 6(o))	<u>2,627</u>	<u>1</u>	<u>3,315</u>	<u>1</u>	<u>9,969</u>	<u>1</u>	<u>9,691</u>	<u>1</u>
<b>Profit</b>	<u>24,449</u>	<u>5</u>	<u>22,387</u>	<u>5</u>	<u>100,254</u>	<u>6</u>	<u>20,395</u>	<u>2</u>
8300 <b>Other comprehensive income:</b>								
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))	(75)	-	-	-	(131,335)	(8)	(507)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(75)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,335)</u>	<u>(8)</u>	<u>(507)</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361 Exchange differences on translation of foreign financial statements	(6,809)	(1)	37,974	8	(24,364)	(2)	(11,450)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(6,809)</u>	<u>(1)</u>	<u>37,974</u>	<u>8</u>	<u>(24,364)</u>	<u>(2)</u>	<u>(11,450)</u>	<u>(1)</u>
8300 <b>Other comprehensive income</b>	<u>(6,884)</u>	<u>(1)</u>	<u>37,974</u>	<u>8</u>	<u>(155,699)</u>	<u>(10)</u>	<u>(11,957)</u>	<u>(1)</u>
8500 <b>Total comprehensive income</b>	<u>\$ 17,565</u>	<u>4</u>	<u>60,361</u>	<u>13</u>	<u>(55,445)</u>	<u>(4)</u>	<u>8,438</u>	<u>1</u>
<b>Profit (loss), attributable to:</b>								
8610 Attributable to owners of parent	\$ 24,486	5	25,781	6	94,903	6	30,551	3
8620 Attributable to non-controlling interests	<u>(37)</u>	<u>-</u>	<u>(3,394)</u>	<u>(1)</u>	<u>5,351</u>	<u>-</u>	<u>(10,156)</u>	<u>(1)</u>
	<u>\$ 24,449</u>	<u>5</u>	<u>22,387</u>	<u>5</u>	<u>100,254</u>	<u>6</u>	<u>20,395</u>	<u>2</u>
<b>Comprehensive income attributable to:</b>								
8710 Attributable to owners of parent	\$ 17,852	4	62,347	13	(59,179)	(4)	19,599	2
8720 Attributable to non-controlling interests	<u>(287)</u>	<u>-</u>	<u>(1,986)</u>	<u>-</u>	<u>3,734</u>	<u>-</u>	<u>(11,161)</u>	<u>(1)</u>
	<u>\$ 17,565</u>	<u>4</u>	<u>60,361</u>	<u>13</u>	<u>(55,445)</u>	<u>(4)</u>	<u>8,438</u>	<u>1</u>
<b>Basic earnings per share (note 6(r))</b>								
9750 <b>Basic earnings per share</b>	<u>\$ 0.20</u>		<u>0.22</u>		<u>0.80</u>		<u>0.26</u>	
<b>Diluted earnings per share</b>								
9850 <b>Diluted earnings per share</b>	<u>\$ 0.19</u>		<u>0.22</u>		<u>0.75</u>		<u>0.25</u>	

See accompanying notes to consolidated financial statements.

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

**EDISON OPTO CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the nine months ended September 30, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Retained earnings					Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Employees unrealized reward	Treasury shares	Total equity attributable to owners of parent		
Balance at January 1, 2020	\$ 1,250,014	1,841,558	701	6,313	(289,754)	(198,918)	(45,780)	(19,575)	(58,877)	2,485,682	112,806	2,598,488
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	-	-	701	-	-	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	(701)	(6,313)	7,014	-	-	-	-	-	-	-
Net income	-	-	-	-	30,551	-	-	-	-	30,551	(10,156)	20,395
Other comprehensive income	-	-	-	-	-	(10,445)	(507)	-	-	(10,952)	(1,005)	(11,957)
Total comprehensive income	-	-	-	-	30,551	(10,445)	(507)	-	-	19,599	(11,161)	8,438
Capital surplus used to offset accumulated deficits	-	(282,740)	-	-	282,740	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(12,300)	-	-	-	-	-	-	(19,832)	(12,300)	-	(12,300)
Purchase of treasury share	-	-	-	-	-	-	-	-	19,832	(19,832)	-	(19,832)
Retirement of treasury share	(16,180)	(3,652)	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	14,381	-	-	-	-	-	-	-	14,381	(14,381)	-
Share-based payments	-	-	-	-	-	-	-	(566)	-	(566)	-	(566)
Forfeit of restricted employee stocks	(8,270)	(3,721)	-	-	-	-	-	11,991	-	-	-	-
Balance at September 30, 2020	\$ 1,225,564	1,553,526	-	-	30,551	(209,363)	(46,287)	(8,150)	(58,877)	2,486,964	87,264	2,574,228
Balance at January 1, 2021	\$ 1,225,564	1,553,577	-	-	48,411	(177,025)	(17,426)	(6,378)	(61,902)	2,564,821	88,841	2,653,662
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	4,841	-	(4,841)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(40,000)	-	-	-	-	(40,000)	-	(40,000)
Net income	-	-	-	-	(44,841)	-	-	-	-	(40,000)	-	(40,000)
Other comprehensive income	-	-	-	-	94,903	-	-	-	-	94,903	5,351	100,254
Total comprehensive income	-	-	-	-	-	(22,747)	(131,335)	-	-	(154,082)	(1,617)	(155,699)
Other changes in capital surplus:	-	-	-	-	94,903	(22,747)	(131,335)	-	-	(59,179)	3,734	(55,445)
Due to recognition of equity component of convertible bonds issued	-	31,990	-	-	-	-	-	-	-	31,990	-	31,990
Conversion of convertible bonds	56,839	42,424	-	-	-	-	-	-	-	99,263	-	99,263
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(625)	(625)	-	(625)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	78	-	-	-	-	-	-	-	78	(2,548)	(2,470)
Changes in ownership interests in subsidiaries	-	294	-	-	-	-	-	-	-	294	2,699	2,993
Share-based payments	-	-	-	-	-	-	-	-	-	3,833	-	3,833
Forfeit of restricted employee stocks	(330)	(149)	-	-	-	-	-	479	-	-	-	-
Balance at September 30, 2021	\$ 1,282,073	1,628,214	4,841	-	98,473	(199,772)	(148,761)	(2,066)	(62,527)	2,600,475	92,726	2,693,201

See accompanying notes to consolidated financial statements.

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

**EDISON OPTO CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 110,223	30,086
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	92,635	92,230
Amortization expense	1,685	1,896
Impairment loss (reversal of impairment loss)	(6,167)	18,739
Net loss on financial assets or liabilities at fair value through profit or loss	3,940	-
Interest expense	15,483	6,414
Interest income	(10,960)	(14,799)
Share-based payments	3,833	(566)
Gain on disposal of property, plant and equipment	(3,044)	(11,136)
Gain on disposal of other assets	(21)	-
Gain on disposal of investments	(10,602)	-
<b>Total adjustments to reconcile profit</b>	<b>86,782</b>	<b>92,778</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts and notes receivable	5,309	(10,467)
Other receivables	(4,661)	(2,250)
Inventories	(35,511)	27,905
Prepayments	(7,837)	(5,292)
Other current assets	(745)	(189)
Other operating assets	(235)	257
Accounts and notes payable	(52,106)	(27,826)
Other payable	3,862	(46,246)
Other current liabilities	9,768	8,253
Net defined benefit liability	419	572
<b>Total changes in operating assets and liabilities</b>	<b>(81,737)</b>	<b>(55,283)</b>
Cash inflow generated from operations	115,268	67,581
Interest received	10,780	15,934
Interest paid	(8,963)	(6,386)
Income taxes	(15,366)	(6,441)
<b>Net cash flows from operating activities</b>	<b>101,719</b>	<b>70,688</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(8,788)	-
Acquisition of financial assets at fair value through profit or loss	(45,483)	-
Proceeds from disposal of financial assets at fair value through profit or loss	43,019	-
Acquisition of property, plant and equipment	(452,172)	(23,268)
Proceeds from disposal of property, plant and equipment	4,187	16,010
Decrease in refundable deposits	-	(230)
Acquisition of intangible assets	(198)	-
Decrease in other financial assets	-	118,437
Increase in restricted deposits	-	(52,798)
Decrease in restricted deposits	88,253	-
Increase in other non-current assets	(25,639)	(1,033)
Increase in prepayments for business facilities	(35,450)	(4,953)
<b>Net cash flows from (used in) investing activities</b>	<b>(432,271)</b>	<b>52,165</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,147,885	123,121
Decrease in short-term loans	(1,535,453)	-
Proceeds from issuing bonds	297,503	-
Proceeds from long-term debt	321,600	-
Repayments of long-term debt	(10,720)	-
Increase in guarantee deposits received	(10)	(10)
Payment of lease liabilities	(10,201)	(9,459)
Cash dividends paid	(40,000)	(12,300)
Payments to acquire treasury shares	-	(19,832)
Acquisition of ownership interests in subsidiaries	(2,470)	-
<b>Net cash flows from financing activities</b>	<b>168,134</b>	<b>81,520</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(7,880)</b>	<b>12,034</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(170,298)</b>	<b>216,407</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,249,755</b>	<b>1,000,536</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,079,457</b>	<b>1,216,943</b>

See accompanying notes to consolidated financial statements



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

## **EDISON OPTO CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

#### **(1) Company history**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 12, 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”

The Group has initially adopted the (following) new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021 :

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The Group 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”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (4) Summary of significant accounting policies:

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

- (b) Basis of consolidation

- (i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	5
The Company	Ledison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	5
The Company	Best Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
The Company	Edison Fund Investment Corporation	Investment	100.00 %	100.00 %	100.00 %	

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Edison-Litek Opto Corporation Limited (note 1)	Investment	44.58 %	44.58 %	44.58 %	
The Company	Edison-Litek Opto Corporation (note 4)	Business of opto-electronics	98.43 %	100.00 %	100.00 %	
The Company	Edison-Egypt Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	5
Ledison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	6
Best Opto Corporation	Best Led Corporation	Investment	100.00 %	100.00 %	100.00 %	
Best Led Corporation	Yangzhou Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Yangzhou Edison Opto Corporation	Yangzhou Aichuang Electronic Trade Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	5
Edison Fund Investment Corporation	Edison Opto USA Corporation	Business of opto-electronics	55.00 %	55.00 %	55.00 %	5
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Business of opto-electronics	100.00 %	51.00 %	51.00 %	5
Edison Fund Investment Corporation	Davinci Opto Corporation (note 2)	Business of opto-electronics	- %	100.00 %	100.00 %	5
Edison Fund Investment Corporation	Ledionopto Lighting Inc.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	5
Ledionopto Lighting Inc.	Led Plus Co., Ltd. (note 3)	Investment	- %	- %	100.00 %	5
Edison-Litek Opto Corporation Limited	Yangzhou Edison-Litek Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited (note 1)	Investment	28.06 %	28.06 %	28.06 %	

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

Note 2: The dissolution of the Company has been registered in 2021.

Note 3: The dissolution of the Company has been registered in 2020.

Note 4: Edison-Litek Opto Corporation issued shares as employee compensation in 2021 which makes the shareholding ratio of the Company's decreased from 100% to 98.43%.

Note 5: The Company is a non-significant subsidiary, its financial statements have not been reviewed.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 6: The Company is a non-significant subsidiary on September 30, 2020, its financial statements have not been reviewed.

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

(c) 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 Group 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 Group 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.

1) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Compound financial instruments

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

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(d) Employee benefits

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

(e) Income taxes

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

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

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

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

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

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

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Information about assumptions and estimation uncertainty that have significant effect on the amounts recognized in the consolidated financial statements is as follow:

(a) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. The management had to determine the valuation techniques and the non-observable market parameters to ensure the output result reflects the actual market price. Please refer to note 6(v).

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020.

Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash	\$ 6,253	7,922	8,551
Demand Deposit	1,001,009	912,421	464,571
Time Deposit	72,195	329,412	743,821
	<u>\$ 1,079,457</u>	<u>1,249,755</u>	<u>1,216,943</u>

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss:			
Securities of listed companies	\$ 5,976	-	-
Convertible bond securities of listed companies	3,150	-	-
Total	<u>\$ 9,126</u>	<u>-</u>	<u>-</u>
Debt investments at fair value through profit or loss			
Convertible corporate bonds - call options	<u>\$ 574</u>	<u>-</u>	<u>-</u>

The above financial assets of the Group were not pledged.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Debt investments at fair value through other comprehensive income			
Unlisted common shares—Foreign Company – LEDLitek Co., Ltd.	\$ -	<b>131,960</b>	<b>106,124</b>

The Group holds 15.39% of common shares of LEDLitek Co., Ltd, and the main operating activities of the Company are Sales car lighting module. The Group designated the investments shown above should recognize as fair value through other comprehensive income, because these investments were intended to be held for long-term strategic purposes. The Group recognized an evaluation loss at fair value amounting to \$131,960 under unrealized other comprehensive income (loss) from investments in equity instruments measured at fair value.

Ledionopto Lighting Inc., a sub-subsidiary of the Company, held 500 thousand shares of the Company and had recognized an unrealized gain of \$625. Please refer to note6(p).

There were no disposed of investments for the nine months ended September 30, 2021 and 2020 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

The above financial assets of the Group were not pledged.

(d) Financial assets measured at amortized cost

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Government international bonds	\$ <b>8,722</b>	-	-

The Group have assessed that the financial assets are held to maturity to collect contractual cash flows, which consists of payments of principal and interest on principal amount outstanding. Therefore, the investments were classified as financial assets measured at amortized costs.

The above financial assets of the Group were not pledged.

(e) Notes and accounts receivable

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes receivable	\$ 9,808	23,068	12,918
Accounts receivable	433,200	433,748	428,703
Overdue receivable	10,526	2,027	2,027
Less: Loss allowance	(27,957)	(34,265)	(27,181)
	<b>\$ 425,577</b>	<b>424,578</b>	<b>416,467</b>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

<b>September 30, 2021</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 419,391	0.03%	114
1 to 30 days past due	5,534	2.93%	162
31 to 90 days past due	975	4.8%	47
Past due over 181 days	<u>17,108</u>	100%	<u>17,108</u>
	<u><u>\$ 443,008</u></u>		<u><u>17,431</u></u>
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
180 days past due	<u>\$ 10,526</u>	100%	<u>10,526</u>
<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 412,255	0.38%	1,553
1 to 30 days past due	12,506	4.24%	530
31 to 90 days past due	437	10.30%	45
91 to 180 days past due	<u>31,618</u>	95.23%	<u>30,110</u>
	<u><u>\$ 456,816</u></u>		<u><u>32,238</u></u>
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
180 days past due	<u>\$ 2,027</u>	100%	<u>2,027</u>

(Continued)



**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 404,830	0.01%	18
1 to 30 days past due	4,315	2.92%	126
31 to 90 days past due	375	7.47%	28
91 to 180 days past due	32,101	77.82%	24,982
	<u>\$ 441,621</u>		<u>25,154</u>
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
180 days past due	\$ 2,027	100%	2,027

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 34,265	62,522
Impairment losses recognized (reversed)	(6,167)	18,739
Amount written off due to uncollectible in the current year	-	(54,047)
Foreign exchange losses	(141)	(33)
Balance at September 30	<u>\$ 27,957</u>	<u>27,181</u>

Note and account receivables of the Group were not pledged.

(f) Inventories

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Raw materials	\$ 111,460	100,716	86,568
Supplies	3,533	3,084	3,072
Work in progress	124,025	70,037	53,740
Finished goods	62,015	91,685	73,429
	<u>\$ 301,033</u>	<u>265,522</u>	<u>216,809</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The details of the cost of sales were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Inventory that has been sold	\$ 367,849	369,864	1,184,951	1,159,002
Write-down of inventories	(4,722)	276	(7,505)	4,546
Unallocated production overheads	13,099	12,639	34,169	26,941
	<u>\$ 376,226</u>	<u>382,779</u>	<u>1,211,615</u>	<u>1,190,489</u>

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the nine months ended September 30, 2021 and 2020, were as follows:

	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
Cost or decked cost:						
Balance at January 1, 2021	\$ 260,051	815,073	1,229,332	38,871	204,881	2,548,208
Additions	351,073	78,385	16,667	80	5,967	452,172
Disposal	-	-	(78,161)	(437)	(1,230)	(79,828)
Reclassify	26,738	77,775	3,873	186	-	108,572
Effect of movements in exchange rates	-	(9,856)	(14,441)	(605)	(3,015)	(27,917)
Balance at September 30, 2021	<u>\$ 637,862</u>	<u>961,377</u>	<u>1,157,270</u>	<u>38,095</u>	<u>206,603</u>	<u>3,001,207</u>
Balance at January 1, 2020	\$ 260,051	803,349	1,367,864	38,611	214,443	2,684,318
Additions	-	1,730	20,099	-	1,439	23,268
Disposal	-	(3,223)	(197,795)	(112)	(13,975)	(215,105)
Reclassify	-	3,597	25,935	-	365	29,897
Effect of movements in exchange rates	-	(3,328)	(6,522)	(209)	(1,215)	(11,274)
Balance at September 30, 2020	<u>\$ 260,051</u>	<u>802,125</u>	<u>1,209,581</u>	<u>38,290</u>	<u>201,057</u>	<u>2,511,104</u>
Depreciation and impairments loss:						
Balance at January 1, 2021	\$ -	231,044	1,014,435	30,964	65,519	1,341,962
Depreciation	-	19,540	49,577	1,892	9,474	80,483
Disposal	-	-	(77,207)	(394)	(1,084)	(78,685)
Effect of movements in exchange rates	-	(1,627)	(11,533)	(471)	(1,811)	(15,442)
Balance at September 30, 2021	<u>\$ -</u>	<u>248,957</u>	<u>975,272</u>	<u>31,991</u>	<u>72,098</u>	<u>1,328,318</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Other facilities</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	208,227	1,138,279	27,468	65,558	1,439,532
Depreciation	-	17,593	51,405	2,677	10,053	81,728
Disposal	-	(2,914)	(194,786)	(61)	(12,470)	(210,231)
Effect of movements in exchange rates	-	(675)	(4,994)	(130)	(382)	(6,181)
Balance at September 30, 2020	<u>\$ -</u>	<u>222,231</u>	<u>989,904</u>	<u>29,954</u>	<u>62,759</u>	<u>1,304,848</u>
Carrying amounts:						
Balance at January 1, 2021	<u>\$ 260,051</u>	<u>584,029</u>	<u>214,897</u>	<u>7,907</u>	<u>139,362</u>	<u>1,206,246</u>
Balance at September 30, 2021	<u>\$ 637,862</u>	<u>712,420</u>	<u>181,998</u>	<u>6,104</u>	<u>134,505</u>	<u>1,672,889</u>
Balance at January 1, 2020	<u>\$ 260,051</u>	<u>595,122</u>	<u>229,585</u>	<u>11,143</u>	<u>148,885</u>	<u>1,244,786</u>
Balance at September 30, 2020	<u>\$ 260,051</u>	<u>579,894</u>	<u>219,677</u>	<u>8,336</u>	<u>138,298</u>	<u>1,206,256</u>

(i) Guarantee

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

(ii) 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.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2021	\$ 32,468	57,424	-	5,821	95,713
Additions	-	3,336	-	1,134	4,470
Disposal	-	(1,315)	-	(582)	(1,897)
Effect of changes in foreign exchange rates	(531)	(913)	-	-	(1,444)
Balance at September 30, 2021	<u>\$ 31,937</u>	<u>58,532</u>	<u>-</u>	<u>6,373</u>	<u>96,842</u>
Balance at January 1, 2020	\$ 31,948	31,091	173	4,659	67,871
Additions	-	37,103	-	1,162	38,265
Disposals	-	(11,997)	(173)	-	(12,170)
Effect of changes in foreign exchange rates	(180)	(163)	-	-	(343)
Balance at September 30, 2020	<u>\$ 31,768</u>	<u>56,034</u>	<u>-</u>	<u>5,821</u>	<u>93,623</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Total</u>
<b>Accumulated depreciation:</b>					
Balance at January 1, 2021	\$ 1,712	12,264	-	2,235	16,211
Depreciation	632	10,123	-	1,397	12,152
Disposal	-	(1,251)	-	(146)	(1,397)
Effect of changes in foreign exchange rates	(27)	(187)	-	-	(214)
Balance at September 30, 2021	<u>\$ 2,317</u>	<u>20,949</u>	<u>-</u>	<u>3,486</u>	<u>26,752</u>
Balance at January 1, 2020	\$ 843	12,207	112	657	13,819
Depreciation	628	8,662	61	1,151	10,502
Disposals	-	(11,997)	(173)	-	(12,170)
Effect of changes in foreign exchange rates	(5)	(59)	-	-	(64)
Balance at September 30, 2020	<u>\$ 1,466</u>	<u>8,813</u>	<u>-</u>	<u>1,808</u>	<u>12,087</u>
<b>Carrying amount:</b>					
Balance at January 1, 2021	<u>\$ 30,756</u>	<u>45,160</u>	<u>-</u>	<u>3,586</u>	<u>79,502</u>
Balance at September 30, 2021	<u>\$ 29,620</u>	<u>37,583</u>	<u>-</u>	<u>2,887</u>	<u>70,090</u>
Balance at January 1, 2020	<u>\$ 31,105</u>	<u>18,884</u>	<u>61</u>	<u>4,002</u>	<u>54,052</u>
Balance at September 30, 2020	<u>\$ 30,302</u>	<u>47,221</u>	<u>-</u>	<u>4,013</u>	<u>81,536</u>

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Secured bank loans	\$ 27,850	161,853	159,075
Unsecured bank loans	74,824	320,499	264,600
Total	<u>\$ 102,674</u>	<u>482,352</u>	<u>423,675</u>
Unused short-term credit lines	<u>\$ 1,421,499</u>	<u>1,152,195</u>	<u>1,100,671</u>
Range of interest rates	<u>0.85%~1.00%</u>	<u>0.16%~1.23%</u>	<u>0.155%~1.4%</u>

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

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

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Long-term borrowings

	<b>September 30, 2021</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	TWD	1.1960%~1.1977%	2041	\$ 310,880
Less: current portion				(16,080)
Total				<b>\$ 294,800</b>

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

(k) Bonds payable

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Total convertible corporate bonds issued	\$ 300,000	-	-
Unamortized discounted corporate bonds payable	(16,953)	-	-
Cumulative converted amount	(109,700)	-	-
Convertible bonds issued balance	<b>\$ 173,347</b>	-	-
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<b>\$ 574</b>	-	-
Equity components—conversion options (included in capital surplus—share options)	<b>\$ 20,292</b>	-	-
	<b>For the three months ended September 30,</b>	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Interest expense	<b>\$ 2,054</b>	-	<b>6,525</b>

<b>Items</b>	<b>Third unsecured domestic convertible bonds</b>
1.Total issue amount	300,000
2.Par value	100
3.Maturity date	January 25, 2021 ~ January 25, 2024
4.Outstanding period	3 years
5.Coupon rate	0%
6.Redemption at maturity	The Company redeems the convertible bond at par value by cash from the bondholders when it meets maturity.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Items</u>	<u>Third unsecured domestic convertible bonds</u>
7.Redemption method	<p>(1) If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem all the outstanding bonds at their par value.</p> <p>(2) If the amount outstanding of bonds is less than 10% of the principal amount between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem the outstanding bonds at their principal amount within five business days before the maturity date.</p>
8.Conversion period	<p>(1) The bondholder can convert its bonds into shares at any time between 3 months after the issuance date and the day before the maturity day.</p> <p>(2) For the circumstances below, the conversion terminates in compliance with the method issued by the Company.  The closing period in accordance with the applicable laws. The period that starts from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits. The period starts from the date of record of the capital decrease and ends one day prior to the reissuance of the trading of shares after the capital decrease.</p>
9.Conversion price	<p>The conversion price is \$19.3 per share when issuance.</p> <p>The Company announced on July 29, 2021 that due to the allotment of cash dividends on the ordinary shares, the conversion price has been adjusted from \$19.3 to \$19.1 since August 21, 2021.</p>
10. Pledge	For the collateral for bonds payable, please refer to note 8.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Lease liability

The carrying values of the lease liabilities were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ <u>15,140</u>	<u>11,916</u>	<u>12,313</u>
Non-current	\$ <u>28,954</u>	<u>39,229</u>	<u>40,669</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest on lease liabilities	\$ <u>1,513</u>	<u>990</u>	<u>4,855</u>	<u>2,416</u>
Expenses relating to short-term leases	\$ <u>336</u>	<u>255</u>	<u>930</u>	<u>784</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>40</u>	<u>45</u>	<u>137</u>	<u>142</u>

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

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	\$ <u>16,123</u>	<u>12,801</u>

(i) Real estate leases

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

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other leases

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

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

(m) Deferred income

The agreement between Yangzhou Edison Opto Corporation and Yangzhou Land And Resources Bureau entitled right of land use of Yangzhou Economic Development Zone, from December, 2006 to December, 2056. The right of land use of CNY 9,788 thousand is subsidized by the Administrative Commission of Yangzhou Economic Development Zone, generating the long-term deferred revenue of CNY 9,393 thousand recognized under other non-current liabilities and is amortized for 50 years to recognize revenue. As of September 30, 2021, December 31, 2020 and September 30, 2020, the amount of unamortized deferred revenue was \$28,425, \$29,514 and \$29,079, respectively.

(n) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 36	65	169	264
Operating expenses	103	185	329	484
	<b>\$ 139</b>	<b>250</b>	<b>498</b>	<b>748</b>

(Continued)



**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating cost	\$ 3,027	465	8,767	2,916
Operating expenses	2,057	816	5,919	3,334
	<u>\$ 5,084</u>	<u>1,281</u>	<u>14,686</u>	<u>6,250</u>

(o) Income taxes

(i) The components of income tax were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 2,627	3,315	9,969	9,691
Adjustment for prior periods	-	-	-	-
Income tax expense	<u>\$ 2,627</u>	<u>3,315</u>	<u>9,969</u>	<u>9,691</u>

(ii) Assessment of tax

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

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to September 30, 2021 and 2020. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6(v) for changes of other equity.

(i) Issuance and cancellation of ordinary shares

The Company recalled and cancelled of 827 thousand restricted employee stocks and 1,618 thousand treasury shares, respectively. Furthermore, the Company recalled and cancelled of 33 thousand restricted employee stocks in July 2021. The statutory registration procedures of all the above-mentioned cancellations had been completed as of the reporting date.

The unsecured domestic convertible bonds issued by the Company were converted into 5 thousand ordinary shares and 5,679 thousand ordinary shares due to the exercise of the conversion rights by the bondholders in the second and third quarters of 2021, respectively. The related registration procedures were completed in July 2021 and October 2021, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Share capital	\$ 1,493,980	1,439,858	1,439,808
Employee share options	72,142	72,142	72,142
Difference arising from subsidiary's share price and its carrying value	14,753	14,381	14,381
Restricted employee stocks	27,047	27,196	27,195
Conversion options	20,292	-	-
	<u>\$ 1,628,214</u>	<u>1,553,577</u>	<u>1,553,526</u>

On June 16, 2020, the Company's shareholders approved to distribute the cash dividend of \$12,300 by capital surplus. Each share could receive a cash dividend of \$0.10081853 from capital reserve.

(iii) Retained earnings

1) Earnings distribution

A resolution was made during the shareholders' meeting held on July 15, 2021, to distribute a cash dividend of \$40,000. Each share could receive a cash dividend of \$0.33457. A resolution was approved during the shareholders' meeting held on June 16, 2020, to cover the deficit, so there were no earnings distribution.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Treasury shares

- 1) Ledionopto Lighting Inc., sub-subsidiary of the Company, held 500 thousand shares of the Company's treasury share. As of September 30, 2021, all treasury shares were not sold and the market price on September 30, 2021, December 31 and September 30, 2020, was \$20.55, \$19.30 and \$11.25 per share, respectively.
- 2) 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.

(q) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to September 30, 2021 and 2020. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2020.

(i) Expense recognized in profit or loss

The Group incurred expenses of share-based arrangements in 2021 and 2020 as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Expenses resulting from restricted employee stocks (reversal)	\$ <u>290</u>	<u>(7,091)</u>	<u>3,833</u>	<u>(566)</u>

(r) Earnings per share

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Basic earnings per share</b>				
Profit of the Company for the year	\$ <u>24,486</u>	<u>25,781</u>	<u>94,903</u>	<u>30,551</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>122,244</u>	<u>118,383</u>	<u>119,337</u>	<u>119,282</u>
Basic earnings per share	\$ <u>0.20</u>	<u>0.22</u>	<u>0.80</u>	<u>0.26</u>
<b>Diluted earnings per share</b>				
Profit of the Company for the year	\$ 24,486	25,781	94,903	30,551
Effect of dilutive potential ordinary share	<u>1,644</u>	<u>-</u>	<u>5,220</u>	<u>-</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	For the three months ended September 30,		For the nine months ended September 30,		
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinary share)	\$	<u>26,130</u>	<u>25,781</u>	<u>100,123</u>	<u>30,551</u>
Weighted average number of ordinary shares (in thousands of shares)	\$	122,244	118,383	119,337	119,282
Effect of employee share bonus (in thousands of shares)		51	-	275	-
Effect of convertible bonds (in thousands of shares)		11,897	-	12,639	-
Effect of restricted employee stocks unrested (in thousands of shares)		<u>570</u>	<u>1,182</u>	<u>972</u>	<u>1,727</u>
Weighted average number of ordinary shares (in thousands of shares)		<u>134,762</u>	<u>119,565</u>	<u>133,223</u>	<u>121,009</u>
Diluted earnings per share (in New Taiwan Dollars)	\$	<u>0.19</u>	<u>0.22</u>	<u>0.75</u>	<u>0.25</u>

(s) Revenue from contracts with customers

(i) Revenue detail

		For the three months ended September 30, 2021						
			Edison Opto (Dong Guan) Co., Ltd	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other	Total
Major market:		The Company						
China	\$	16,690	91,697	55,016	6,775	-	2,034	172,212
America and Europe		91,264	-	-	621	64,734	38,812	195,431
Taiwan		41,465	-	-	-	1,792	384	43,641
Africa		8,935	-	-	-	-	-	8,935
Others		61,774	-	359	-	81	2,999	65,213
	\$	<u>220,128</u>	<u>91,697</u>	<u>55,375</u>	<u>7,396</u>	<u>66,607</u>	<u>44,229</u>	<u>485,432</u>
Major product:								
LED transmitter component	\$	8,236	46,462	-	-	-	-	54,698
LED lighting component		66,738	2,993	44,534	-	-	14,009	128,274
LED lighting module and product		139,155	36,709	10,537	-	-	23,295	209,696
Automotive LED lighting module		-	-	-	7,173	66,526	5,672	79,371
Others		5,999	5,533	304	223	81	1,253	13,393
	\$	<u>220,128</u>	<u>91,697</u>	<u>55,375</u>	<u>7,396</u>	<u>66,607</u>	<u>44,229</u>	<u>485,432</u>

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other	Total
Major market							
China	\$ 21,610	95,224	79,926	14,950	-	-	211,710
America and Europe	49,541	-	-	167	69,304	25,527	144,539
Taiwan	23,057	-	-	-	12	363	23,432
Africa	8,864	-	-	-	-	4,266	13,130
Others	82,249	-	104	-	24	3,244	85,621
	<u>\$ 185,321</u>	<u>95,224</u>	<u>80,030</u>	<u>15,117</u>	<u>69,340</u>	<u>33,400</u>	<u>478,432</u>
Major product:							
LED transmitter component	\$ 13,228	63,770	-	-	-	-	76,998
LED lighting component	67,912	6,442	56,904	-	-	6,367	137,625
LED lighting module and product	103,472	24,832	7,003	-	-	15,405	150,712
Automotive LED lighting module	-	-	-	15,117	69,340	10,662	95,119
Others	709	180	16,123	-	-	966	17,978
	<u>\$ 185,321</u>	<u>95,224</u>	<u>80,030</u>	<u>15,117</u>	<u>69,340</u>	<u>33,400</u>	<u>478,432</u>

  

For the nine months ended September 30, 2021							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other	Total
Major market							
China	\$ 57,836	295,848	208,334	26,037	-	5,957	594,012
America and Europe	202,804	-	-	977	312,400	109,294	625,475
Taiwan	142,626	-	-	-	4,436	649	147,711
Africa	23,975	-	-	-	-	-	23,975
Others	192,260	-	3,577	-	4,002	15,150	214,989
	<u>\$ 619,501</u>	<u>295,848</u>	<u>211,911</u>	<u>27,014</u>	<u>320,838</u>	<u>131,050</u>	<u>1,606,162</u>
Major product:							
LED transmitter component	\$ 33,795	151,059	-	-	-	-	184,854
LED lighting component	211,911	6,293	165,285	-	-	37,192	420,681
LED lighting module and product	350,886	119,552	35,972	-	-	75,535	581,945
Automotive LED lighting module	-	-	-	26,692	316,836	16,367	359,895
Others	22,909	18,944	10,654	322	4,002	1,956	58,787
	<u>\$ 619,501</u>	<u>295,848</u>	<u>211,911</u>	<u>27,014</u>	<u>320,838</u>	<u>131,050</u>	<u>1,606,162</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the nine months ended September 30, 2020							
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other	Total
Major market							
China	\$ 40,236	254,903	212,964	36,243	-	1,623	545,969
America and Europe	149,777	-	-	2,577	217,454	71,912	441,720
Taiwan	68,370	-	-	-	27	392	68,789
Africa	148,116	-	-	-	-	8,203	156,319
Others	235,102	-	335	17	2,632	8,335	246,421
	<u>\$ 641,601</u>	<u>254,903</u>	<u>213,299</u>	<u>38,837</u>	<u>220,113</u>	<u>90,465</u>	<u>1,459,218</u>
Major product:							
LED transmitter component	\$ 26,372	139,723	-	-	-	-	166,095
LED lighting component	215,465	10,972	150,716	-	-	15,355	392,508
LED lighting module and product	392,162	103,615	30,590	-	-	58,891	585,258
Automotive LED lighting module	-	-	-	37,962	220,113	14,507	272,582
Others	7,602	593	31,993	875	-	1,712	42,775
	<u>\$ 641,601</u>	<u>254,903</u>	<u>213,299</u>	<u>38,837</u>	<u>220,113</u>	<u>90,465</u>	<u>1,459,218</u>

(ii) Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020
Note receivables	\$ 9,808	23,068	12,918
Accounts receivables	433,200	433,748	428,703
Less: Loss allowance	(17,431)	(32,238)	(25,154)
Total	<u>\$ 425,577</u>	<u>424,578</u>	<u>416,467</u>

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

(t) 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 abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The employees' compensation for the three months and nine months period ended September 30, 2021, were \$1,300 and \$5,100, respectively. The directors' remuneration for the three months and nine months period ended September 30, 2021, were \$425 and \$1,525, respectively. The calculation is based on the Company's net income before tax excluding employees' compensation, directors' remuneration and recovery of deficit that multiplied by the percentage of employees' compensation and remuneration to directors. The compensations and remunerations were expensed under operating costs or operating expenses during the period. There were no estimated employees' compensation and directors' remuneration for the three months and nine months period ended September 30, 2020, as the amount were immaterial. The employees' compensation and directors' remuneration for the year ended September 30, 2020, were \$2,250 and \$450, respectively. There were no employees' compensation and directors' remuneration for the year ended December 31, 2019, as the Company had suffered in loss. Related information would be available at the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest income from bank deposits	\$ 1,616	2,008	5,970	6,180
Other interest income	2,417	1,912	4,990	8,619
	<u>\$ 4,033</u>	<u>3,920</u>	<u>10,960</u>	<u>14,799</u>

(ii) Other income

The details of net other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Other income- others	\$ 1,301	10,496	3,917	16,530

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net gain on disposal of Property, plant, and equipment	\$ 3,346	12,566	3,044	11,136
Net gain on financial assets at fair value	143	-	3,940	-
Net gain (losses) on foreign exchange	446	(5,418)	(5,351)	(5,845)
Others	(2,287)	(1,342)	(8,384)	(2,406)
	<u>\$ 1,648</u>	<u>5,806</u>	<u>(6,751)</u>	<u>2,885</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest expenses	\$ <u>4,797</u>	<u>1,895</u>	<u>15,483</u>	<u>6,414</u>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Concentration of credit risk

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

2) Receivable

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

(Continued)



**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2020.

(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>
<b>September 30, 2021</b>							
Non-derivative financial liabilities							
Secured loans	\$ 338,730	(374,877)	(37,776)	(9,836)	(19,509)	(57,401)	(250,355)
Unsecured loans	74,824	(74,942)	(74,942)	-	-	-	-
Lease liabilities	44,094	(54,193)	(10,097)	(9,975)	(14,862)	(19,259)	-
Notes payable and accounts payable	317,801	(317,801)	(317,801)	-	-	-	-
Other payable	110,994	(110,994)	(110,994)	-	-	-	-
Bonds payable	173,347	(190,300)	-	-	-	(190,300)	-
	<u>\$ 1,059,790</u>	<u>(1,123,107)</u>	<u>(551,610)</u>	<u>(19,811)</u>	<u>(34,371)</u>	<u>(266,960)</u>	<u>(250,355)</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Secured loans	\$ 161,853	(161,999)	(161,999)	-	-	-	-
Unsecured loans	320,499	(320,622)	(320,622)	-	-	-	-
Lease liabilities	51,145	(65,684)	(9,663)	(9,204)	(18,051)	(28,766)	-
Notes payable and accounts payable	369,907	(369,907)	(369,907)	-	-	-	-
Other payable	110,128	(110,128)	(110,128)	-	-	-	-
	<u>\$ 1,013,532</u>	<u>(1,028,340)</u>	<u>(972,319)</u>	<u>(9,204)</u>	<u>(18,051)</u>	<u>(28,766)</u>	<u>-</u>
<b>September 30, 2020</b>							
Non-derivative financial liabilities							
Secured loans	\$ 159,075	(159,201)	(159,201)	-	-	-	-
Unsecured loans	264,600	(264,690)	(264,690)	-	-	-	-
Lease liabilities	52,982	(68,952)	(9,444)	(9,195)	(17,776)	(32,537)	-
Notes payable and accounts payable	291,914	(291,914)	(291,914)	-	-	-	-
Other payable	94,377	(94,377)	(94,377)	-	-	-	-
	<u>\$ 862,948</u>	<u>(879,134)</u>	<u>(819,626)</u>	<u>(9,195)</u>	<u>(17,776)</u>	<u>(32,537)</u>	<u>-</u>

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

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2021				December 31, 2020				September 30, 2020			
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>												
<u>Monetary items</u>												
USD	\$	12,533 USD/TWD=	27.8500	349,044	6,769 USD/TWD=	28.4800	192,781	8,470 USD/TWD=	29.1000	246,477		
USD		6,270 USD/CNY=	6.4854	174,628	4,448 USD/CNY=	6.5249	126,679	7,064 USD/CNY=	6.8101	205,505		
CNY		28,005 CNY/TWD=	4.2945	120,267	28,045 CNY/TWD=	4.3770	122,753	113,134 CNY/TWD=	4.2719	483,295		
<u>Financial liabilities</u>												
<u>Monetary items</u>												
USD		13,023 USD/TWD=	27.8500	362,691	15,722 USD/TWD=	28.4800	447,763	16,486 USD/TWD=	29.1000	479,743		
USD		461 USD/CNY=	6.4854	12,839	3,424 USD/CNY=	6.5249	97,516	2,932 USD/CNY=	6.8101	85,298		
CNY		190 CNY/TWD=	4.2945	816	129 CNY/TWD=	4.3770	565	3,548 CNY/TWD=	4.2719	15,157		

2) Sensitivity analysis

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

A strengthening (weakening) of 5% of the TWD against the USD and CNY as at September 30, 2021 and 2020 would have increased (decreased) the equity by \$13,380 and \$17,753 due to cash flow hedges. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

Since the Consolidated Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(5,351) and \$(5,845), respectively.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Fair value of financial instruments

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

<b>September 30, 2021</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss-current-securities of listed companies	\$ 5,976	5,976	-	-	5,976
Financial assets at fair value through profit or loss-current-convertible bond securities of listed companies	\$ 3,150	3,150	-	-	3,150
Financial assets at fair value through profit or loss-non current-Embedded derivative of convertible bonds	\$ 574	-	574	-	574
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,079,457	-	-	-	-
Notes and trade receivables	425,577	-	-	-	-
Other receivables	6,697	-	-	-	-
Corporate bonds	8,722	-	-	-	-
Subtotal	1,520,453	-	-	-	-
Total	<u>\$ 1,530,153</u>	<u>9,126</u>	<u>574</u>	<u>-</u>	<u>9,700</u>
Financial liabilities at amortized cost					
Bank loans	\$ 413,554	-	-	-	-
Notes and trade payables	317,801	-	-	-	-
Other payables	110,994	-	-	-	-
Bonds payables	173,347	-	-	-	-
Lease liabilities	44,094	-	-	-	-
Total	<u>\$ 1,059,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		December 31, 2020				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income-securities of unlisted companies	\$	131,960	-	-	131,960	131,960
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,249,755	-	-	-	-
Notes and trade receivables		424,578	-	-	-	-
Other receivables		2,028	-	-	-	-
Subtotal		1,676,361	-	-	-	-
Total	\$	1,808,321	-	-	131,960	131,960
Financial liabilities at amortized cost						
Bank loans	\$	482,352	-	-	-	-
Notes and trade payables		369,907	-	-	-	-
Other payables		110,128	-	-	-	-
Lease liabilities		51,145	-	-	-	-
Total	\$	1,013,532	-	-	-	-
		September 30, 2020				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income-securities of unlisted companies	\$	106,124	-	-	106,124	106,124
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,216,943	-	-	-	-
Notes and trade receivables		416,467	-	-	-	-
Other receivables		3,908	-	-	-	-
Subtotal		1,637,318	-	-	-	-
Total	\$	1,743,442	-	-	106,124	106,124
Financial liabilities at amortized cost						
Bank loans	\$	423,675	-	-	-	-
Notes and trade payables		291,914	-	-	-	-
Other payables		94,377	-	-	-	-
Lease liabilities		52,982	-	-	-	-
Total	\$	862,948	-	-	-	-

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
January 1, 2021	\$ 131,960
Total gains and losses recognized:	
In other comprehensive income	(131,960)
September 30, 2021	<u>\$ -</u>
January 1, 2020	\$ 106,631
Total gains and losses recognized:	
In other comprehensive income	(507)
September 30, 2020	<u><u>\$ 106,124</u></u>

For the nine months ended September 30, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total gains and losses recognized:				
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ -	-	(131,960)	(507)

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

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

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

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income equity investments without an active market	Weighted average of market comparable companies and asset-based approach	<ul style="list-style-type: none"> <li>· equity ratio multiple</li> <li>· Discount for lack of marketability</li> <li>· Discount of control</li> </ul>	<ul style="list-style-type: none"> <li>· The higher multiple, the higher the fair value</li> <li>· The higher the discount for lack of marketability, the lower the fair value</li> <li>· The higher the discount of control, the lower the fair value</li> </ul>

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

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

			Recognized in other comprehensive income	
			Favorable change	Unfavorable change
September 30, 2021	Input	Change		
Financial assets fair value through other comprehensive income	1.49	1%	204	(204)
December 31, 2020				
Financial assets fair value through other comprehensive income	2.28	1%	1,320	(1,320)
September 30, 2020				
Financial assets fair value through other comprehensive income	1.81	1%	1,171	(1,171)

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

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(y) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow for the nine months ended September 30, 2021 and 2020, were as follows:

	January 1, 2021	Cash Flows	Non-cash changes				September 30, 2021
			Foreign exchange movement	Changes in lease payments	Discount and premium amortization	Conversion options	
Short-term borrowings	\$ 482,352	(387,568)	7,890	-	-	-	102,674
Lease liabilities	51,145	(15,056)	(864)	8,869	-	-	44,094
Long-term borrowings (including current portion)	-	310,880	-	-	-	-	310,880
Bonds payable	-	303,000	-	-	(19,953)	(109,700)	173,347
Total liabilities from financing activities	<u>\$ 533,497</u>	<u>211,256</u>	<u>7,026</u>	<u>8,869</u>	<u>(19,953)</u>	<u>(109,700)</u>	<u>630,995</u>

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

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Wu, Chien-Jung	The Company's chairman

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 7,475	7,643	23,143	26,370
Post employment benefits	198	227	564	502
Share-based payments	134	(1,570)	1,317	(125)
	<u>\$ 7,807</u>	<u>6,300</u>	<u>25,024</u>	<u>26,747</u>

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

(c) Significant transactions with related parties

(i) Guarantee

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2021	December 31, 2020	September 30, 2020
Deposits (classified under current assets)	The guarantee letter of credit	\$ 12,334	17,312	17,542
Deposits (classified under current assets)	Tender deposit	20,000	-	-
Deposits (classified under current assets)	Short-term loans	11,003	114,278	108,981
Deposits (classified under non-current assets)	Deposit to customs	10,330	8,179	8,085
Property, plant, and equipment	Guarantee of Corporate Bonds	200,556	202,015	-
Property, plant, and equipment	Short-term loans	-	-	55,126
Property, plant, and equipment	Long-term loans	529,855	-	-
		<u>\$ 784,078</u>	<u>341,784</u>	<u>189,734</u>

(Continued)



**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(9) Commitments and contingencies:**

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

	September 30, 2021	December 31, 2020	September 30, 2020
Acquisition of property, plant and equipment	\$ <u>76,189</u>	<u>429,869</u>	<u>8,659</u>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

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

By item	For the three months ended September 30,					
	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	35,111	36,399	71,510	38,055	28,607	66,662
Labor and health insurance	2,187	2,572	4,759	2,181	2,235	4,416
Pension	3,063	2,160	5,223	530	1,001	1,531
Directors' remuneration	-	611	611	-	150	150
Others	4,286	2,558	6,844	3,724	1,964	5,688
Depreciation	21,869	8,138	30,007	23,554	8,760	32,314
Amortization	3	532	535	35	586	621

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

By item	By function	For the nine months ended September 30,					
		2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		117,249	125,164	242,413	110,927	103,660	214,587
Labor and health insurance		6,851	7,919	14,770	5,801	7,066	12,867
Pension		8,936	6,248	15,184	3,180	3,818	6,998
Directors' remuneration		-	2,053	2,053	-	534	534
Others		12,436	6,778	19,214	11,328	6,382	17,710
Depreciation		68,892	23,743	92,635	69,575	22,655	92,230
Amortization		49	1,636	1,685	105	1,791	1,896

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidated Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,318 (CNY6,000 thousand)	25,767 (CNY6,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	232,277 (Note1)	464,554 (Note1)
2	Yangzhou Edison Opto Corporation	Edison-Opto (Dong Guan) Co., Ltd.	Other receivables due from related parties	Yes	43,863 (CNY10,000 thousand)	42,945 (CNY10,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	232,277	464,554
3	Edison-litek Opto Corporation Limited	Edison-litek Opto Corporation	Other receivable due from related parties	Yes	31,389 (USD1,100 thousand)	30,635 (USD1,100 thousand)	30,635 (USD1,100 thousand)	1%	2	-	Short-term financing	-	-	-	49,308 (Note1)	98,615 (Note1)

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

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

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

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

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

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

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Edison Fund Investment Corporation	Yang Ming Marine Corp.	NO	Current financial assets at fair value through profit or loss	50	5,976	- %	5,976	
The Company	Merry Electronics Co., Ltd.- Convertible bonds	NO	Current financial assets at fair value through profit or loss	30	3,150	- %	3,150	
Edison Fund Investment Corporation	Taipei Fubon Bank-Qatar Government International Bonds	NO	Financial assets measured at amortized cost-current	-	8,722	- %	8,722	
Edison Fund Investment Corporation	LED Litek Co., Ltd.	NO	Financial assets at fair value through other comprehensive income-non-current	124	-	15.39 %	-	note

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

- (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 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	Bank of Communication Co., Ltd.	-	-	-	-	1,234,669 (RMB287,500 thousand)	-	1,237,183 (RMB288,086 thousand)	1,234,669	2,514	-	-

- (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 17F	2020.11	536,000	536,000	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.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Edison Opto (Dong Guan) Co., Ltd.	The Company	Parents	Sales	(223,493)	42.10 %	90 days	No significant difference	-	(20,691)	16.67 %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	223,493	35.90 %	90 days	No significant difference	-	20,691	10.04 %	
Yangzhou Edison Opto Corporation	The Company	Parent Company	Sales	(270,680)	47.82 %	90 days	No significant difference	-	57,611	35.90 %	
The Company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	270,680	43.48 %	90 days	No significant difference	-	(57,611)	44.72 %	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Sub-subsidiary	Sales	(161,167)	85.64 %	90 days	No significant difference	-	24,181	59.19 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary	Purchase	161,167	72.57 %	90 days	No significant difference	-	(24,181)	48.86 %	

Note: The above transactions have been written off during the preparation of the consolidated report.

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

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Yangzhou Edison Opto Corporation	1	Sales	40,079	90 days	2.50%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Sales	86,539	90 days	5.39%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Accounts receivable	20,691	90 days	0.54%
0	The Company	Edison Opto USA Corporation	1	Sales	45,561	90 days	2.84%
0	The Company	Edison Opto USA Corporation	1	Accounts receivable	20,545	90 days	0.53%
1	Yangzhou Edison Opto Corporation	The Company	2	Sales	270,680	90 days	16.85%
1	Yangzhou Edison Opto Corporation	The Company	2	Accounts receivable	57,611	90 days	1.49%
1	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Sales	40,965	90 days	2.55%
1	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Accounts receivable	17,484	90 days	0.45%

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Sales	20,113	90 days	1.25%
1	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Accounts receivable	15,663	90 days	0.41%
2	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Sales	223,493	90 days	13.91%
3	Yangzhou Edison-Litek Opto Corporation	Edison Litek Opto Corporation	3	Sales	161,167	90 days	10.03%
3	Yangzhou Edison-Litek Opto Corporation	Edison Litek Opto Corporation	3	Accounts receivable	24,181	90 days	0.63%
4	Edison-Litek Opto Corporation Limited	Edison Litek Opto Corporation	3	Other receivables	30,851	base on contract	0.79%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

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

(a) 1 represents parent to subsidiary

(b) 2 represents subsidiary to parent

(c) 3 represents subsidiary to subsidiary

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

(b) Information on investees:

The following is the information on investees of The Company (excluding information on investees in Mainland China):

(In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	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 %	6,253	(129)	(129)	-
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	224,537	7,855	7,855	-
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,550,826	1,550,826	50,000	100.00 %	1,151,215	14,169	14,169	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	655,000	25,000	100.00 %	76,037	6,543	6,543	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	109,907	2,011	897	-
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	48,900	48,900	9,700	98.43 %	183,954	32,899	32,708	-
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	47,940	2,500	100.00 %	20,421	11,649	11,649	-
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,550,826	1,550,826	50,000	100.00 %	1,161,388	14,169	14,169	-
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	27,309	10,224	5,623	-
Edison Fund Investment Corporation	Ledionopto Lighting Inc.	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	18,279	(4,101)	(4,101)	-

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Edison Fund Investment Corporation	Davinci Opto Corporation (Note 1)	Taiwan	Selling of LED components and modules	-	5,000	-	-	-	-	-	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	33,187	3,463	28.06 %	69,179	2,011	564	-
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	5,100	1,000	100.00 %	4,519	(762)	(722)	-

Note 1: The dissolution of Company has registered in February, 2021.

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	USD 145,991 (4,500 thousand)	( b )	USD 111,408 (3,317 thousand)	-	-	USD 111,408 (3,317 thousand)	USD 7,855 (280 thousand)	100.00%	USD 7,855 (280 thousand)	USD 229,971 (8,258 thousand)	USD 34,583 (1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	( b )	USD 52,255 (1,714 thousand)	-	-	USD 52,255 (1,714 thousand)	-	-%	-	-	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,550,826 (50,000 thousand)	( b )	USD 1,550,826 (50,000 thousand)	-	-	USD 1,550,826 (50,000 thousand)	USD 14,169 (505 thousand)	100.00%	USD 14,169 (505 thousand)	USD 1,161,385 (41,701 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	( c )	-	-	-	-	RMB 30 (7 thousand)	100.00%	RMB 30 (7 thousand)	RMB 2,218 (512 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	( b )	USD 167,661 (5,500 thousand)	-	-	USD 167,661 (5,500 thousand)	USD 1,794 (64 thousand)	72.64%	USD 1,303 (46 thousand)	USD 156,092 (5,605 thousand)	-

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

(a) Direct investment from Mainland China

(b) Indirect investment from third-party country

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

(c) Others

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

Note 2: The dissolution has registered in 2020.

(Continued)

**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,829,895 (USD58,817 thousand)	1,664,595 (note 3) (USD59,770 thousand)	Note 1
Ledionopto Lighting Inc.	52,255 (note 2) (USD1,714 thousand)	52,255 (USD1,714 thousand)	-

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 USD1,714 thousand had been included in the accumulated investment amount.

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lighting Investment Corporation		16,556,182	12.91 %
Epistar Corporation		6,784,000	5.29 %

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (14) Segment information:

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

For the three months ended September 30, 2021								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 220,128	91,697	55,375	7,396	66,607	44,229	-	485,432
Intersegment revenues	35,236	92,811	111,733	25,653	1,715	3,725	(270,873)	-
Total revenue	<u>\$ 255,364</u>	<u>184,508</u>	<u>167,108</u>	<u>33,049</u>	<u>68,322</u>	<u>47,954</u>	<u>(270,873)</u>	<u>485,432</u>
Reportable segment profit or loss	<u>\$ 24,485</u>	<u>436</u>	<u>8,494</u>	<u>(6,791)</u>	<u>4,632</u>	<u>9,408</u>	<u>(13,588)</u>	<u>27,076</u>
For the three months ended September 30, 2020								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 185,321	95,224	80,030	15,117	69,340	33,400	-	478,432
Intersegment revenues	34,011	59,088	112,264	30,069	41	-	(235,473)	-
Total revenue	<u>\$ 219,332</u>	<u>154,312</u>	<u>192,294</u>	<u>45,186</u>	<u>69,381</u>	<u>33,400</u>	<u>(235,473)</u>	<u>478,432</u>
Reportable segment profit or loss	<u>\$ 25,781</u>	<u>3,613</u>	<u>12,797</u>	<u>(9,622)</u>	<u>10,694</u>	<u>(9,802)</u>	<u>(7,759)</u>	<u>25,702</u>
For the nine months ended September 30, 2021								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 619,501	295,848	211,911	27,014	320,838	131,050	-	1,606,162
Intersegment revenues	118,738	234,988	333,823	161,169	1,808	3,725	(854,251)	-
Total revenue	<u>\$ 738,239</u>	<u>530,836</u>	<u>545,734</u>	<u>188,183</u>	<u>322,646</u>	<u>134,775</u>	<u>(854,251)</u>	<u>1,606,162</u>
Reportable segment profit or loss	<u>\$ 94,903</u>	<u>6,501</u>	<u>14,171</u>	<u>2,013</u>	<u>40,029</u>	<u>26,795</u>	<u>(74,189)</u>	<u>110,223</u>
For the nine months ended September 30, 2020								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 641,601	254,903	213,299	38,837	220,113	90,465	-	1,459,218
Intersegment revenues	97,052	139,864	348,897	115,005	762	-	(701,580)	-
Total revenue	<u>\$ 738,653</u>	<u>394,767</u>	<u>562,196</u>	<u>153,842</u>	<u>220,875</u>	<u>90,465</u>	<u>(701,580)</u>	<u>1,459,218</u>
Reportable segment profit or loss	<u>\$ 30,551</u>	<u>23,268</u>	<u>10,670</u>	<u>(25,188)</u>	<u>23,592</u>	<u>(21,534)</u>	<u>(11,273)</u>	<u>30,086</u>

Note: The eliminated amount among reportable segments for the three months and nine months ended September 30, 2021 and 2020 were \$270,873, \$235,473, \$854,251 and \$701,580 respectively.