

**EDISON OPTO CORPORATION****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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

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## Independent Auditors' Report

To the Board of Directors of Edison Opto Corporation:

### Opinion

We have audited the financial statements of Edison Opto Corporation, which comprise the statement of financial position as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Edison Opto Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

Description of key audit matter:

#### 1. Impairment evaluation of accounts receivable

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

For the year ended December 31, 2021, the accounts receivable accounted for 5% of the total assets are material to the financial statements. In addition, the provision of bad debt allowance is a subject to the management's judgment. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

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

## 2. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 24, 2022

#### **Notes to Readers**

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

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

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

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
		Amount	%	Amount	%		Amount	%	Amount	%
11xx	<b>Assets</b>									
	<b>Current assets:</b>									
1100	Cash and cash equivalents (note 6(a))	\$	338,165	10	401,122	13	\$	69,200	2	340,499
1150	Notes receivable, net (note 6(c))		4,797	-	1,059	-		17	-	669
1170	Accounts receivable, net (note 6(c))		145,348	5	126,937	4		43,938	1	44,573
1180	Accounts receivable due from related parties, net (note 6(c) and 7)		9,851	-	49,765	2		130,408	4	49,139
1200	Other receivables, net (note 6(d) and 7)		3,335	-	4,318	-		44,508	1	34,250
1310	Inventories (note 6(e))		48,163	1	24,022	1		3,708	-	1,941
1410	Prepayments		20,896	1	18,907	1		16,080	1	-
1220	Current tax asset		3,149	-	252	-		33,955	1	23,567
1470	Other current assets (note 8 and 11)		32,311	1	17,394	1		341,814	10	494,638
	<b>Total current assets</b>		<u>606,015</u>	<u>18</u>	<u>643,776</u>	<u>22</u>				<u>16</u>
15xx	<b>Non-current assets:</b>									
1510	Non-current financial assets at fair value through profit or loss (note 6(b))		574	-	-	-		163,588	5	-
1550	Investments accounted for using equity method, net (note 6(f))		1,810,867	52	1,837,597	60		290,780	8	-
1600	Property, plant and equipment (note 6(h), 7, 8 and 9)		934,220	27	414,447	13		2,460	-	2,035
1755	Right-of-use asset (notes 6(i))		4,438	-	3,244	-		1,099	-	1,579
1780	Intangible assets (note 7)		88	-	257	-		11,735	-	11,618
1840	Deferred tax assets (note 6(o))		60,488	2	61,753	2		469,662	13	15,232
1915	Prepayments for business facilities (note 9)		122	-	297	-		811,476	23	509,870
1990	Other non-current assets, others (notes 6(h), 8 and 9)		35,075	1	113,320	3				
	<b>Total non-current assets</b>		<u>2,845,872</u>	<u>82</u>	<u>2,430,915</u>	<u>78</u>				
	<b>Equity (notes 6(g)(l)(p)(q)):</b>									
	Capital stock			3100		3		1,288,617	37	1,225,564
	Capital surplus			3200		78		1,619,038	47	1,553,577
	Legal reserve			3310				4,841	-	-
	Unappropriated retained earnings			3350				124,188	4	48,411
	Exchange differences on translation of foreign financial statements			3410				(183,608)	(5)	(177,025)
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			3420				(152,240)	(4)	(17,426)
	Other equity, unearned compensation			3491				(1,377)	-	(6,378)
	Treasury shares			3500				(59,048)	(2)	(61,902)
	<b>Total equity</b>							<u>2,640,411</u>	<u>77</u>	<u>2,564,821</u>
	<b>Total liabilities and equity</b>							<u>3,451,887</u>	<u>100</u>	<u>3,074,691</u>
								<u>\$</u>		<u>\$</u>

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**EDISON OPTO CORPORATION**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollar , Except Earnings Per Share)**

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (note 6(s) and 7)</b>	\$ 959,314	100	917,985	100
5000	<b>Operating costs (note 6(e)(h)(i)(m) and 7)</b>	<u>788,442</u>	<u>82</u>	<u>808,998</u>	<u>88</u>
5900	<b>Gross profit from operations</b>	170,872	18	108,987	12
5910	Unrealized profit (loss) from sales (note 7)	<u>(581)</u>	<u>-</u>	<u>(2,451)</u>	<u>-</u>
5950	<b>Gross profit from operations, net</b>	<u>170,291</u>	<u>18</u>	<u>106,536</u>	<u>12</u>
<b>Operating expenses (note 6(h)(i)(k)(m)(n)(q)):</b>					
6100	Selling expenses	48,870	5	37,193	4
6200	Administrative expenses	76,236	8	54,750	6
6300	Research and development expenses	29,227	3	30,750	3
6450	Expected credit loss(reversed) (note 6(c))	<u>(361)</u>	<u>-</u>	<u>154</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>153,972</u>	<u>16</u>	<u>122,847</u>	<u>13</u>
6900	<b>Net operating income (loss)</b>	<u>16,319</u>	<u>2</u>	<u>(16,311)</u>	<u>(1)</u>
<b>Non-operating income and expenses (note 6(g)(l)(u) and 7):</b>					
7100	Total interest income	733	-	1,799	-
7010	Other income	20,931	2	42,040	5
7020	Other gains and losses, net	2,984	-	6,369	1
7050	Finance costs, net	(13,317)	(1)	(4,024)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	<u>94,298</u>	<u>10</u>	<u>12,281</u>	<u>1</u>
	<b>Total non-operating income and expenses</b>	<u>105,629</u>	<u>11</u>	<u>58,465</u>	<u>7</u>
7900	<b>Profit from continuing operations before tax</b>	121,948	13	42,154	6
7950	Less: Income tax expenses (note 6(o))	<u>1,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Profit</b>	<u>120,258</u>	<u>13</u>	<u>42,154</u>	<u>6</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	360	-	6,257	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(p))	(134,814)	(14)	28,354	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(134,454)</u>	<u>(14)</u>	<u>34,611</u>	<u>4</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	(6,583)	(1)	21,893	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(6,583)</u>	<u>(1)</u>	<u>21,893</u>	<u>2</u>
8300	<b>Other comprehensive income (loss)</b>	<u>(141,037)</u>	<u>(15)</u>	<u>56,504</u>	<u>6</u>
8500	<b>Total comprehensive income (loss)</b>	<u>\$ (20,779)</u>	<u>(2)</u>	<u>98,658</u>	<u>12</u>
<b>Earnings per share (note 6(r))</b>					
9750	<b>Basic earnings per share</b>	<u>\$ 1.00</u>		<u>0.35</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.95</u>		<u>0.35</u>	

See accompanying notes to consolidated financial statements.



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

## EDISON OPTO CORPORATION

## Statements of Changes in Equity

For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollar)

	Ordinary shares	Capital surplus	Retained earnings			Total other equity interest				
			Legal reserve	Special reserve	Retained earnings (Unappropriated retained earnings)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Total equity
							(198,918)	(45,780)	(19,575)	
<b>Balance at January 1, 2020</b>	\$ 1,230,014	1,841,558	701	6,313	(289,754)					2,485,682
Appropriation and distribution of retained earnings:										
Legal reserve used to offset accumulated deficits	-	-	(701)	-	701	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(6,313)	6,313	-	-	-	-	-
Reversal of special reserve	-	(282,740)	-	-	282,740	-	-	-	-	-
Cash dividends from capital surplus	-	(12,300)	-	-	-	-	-	-	-	(12,300)
		(295,040)	(701)	(6,313)	289,754					(12,300)
Net income	-	-	-	-	42,154	-	-	-	-	(12,300)
Other comprehensive income	-	-	-	-	6,257	21,893	28,354	-	-	42,154
Total comprehensive income	-	-	-	-	6,257	21,893	28,354	-	-	56,504
Other changes in capital surplus:										
Purchase of treasury share	-	-	-	-	48,411	21,893	28,354	-	-	98,658
Retirement of treasury share	-	-	-	-	-	-	-	-	(19,832)	(19,832)
Acquisition of company's share by subsidiaries recognized as treasury share	(16,180)	(3,652)	-	-	-	-	-	-	19,832	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	-	-	(3,025)	(3,025)
Changes in ownership interests in subsidiaries	-	51	-	-	-	-	-	-	-	51
Share-based payments	-	14,381	-	-	-	-	-	-	-	14,381
	(8,270)	(3,721)	-	-	-	-	-	-	-	1,206
Balance at December 31, 2020	1,225,564	1,553,577	-	-	48,411	(177,025)	(17,426)	-	(61,902)	2,564,821
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	4,841	-	(4,841)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(40,000)	-	-	-	-	(40,000)
			4,841		(44,841)					(40,000)
Net income	-	-	-	-	120,258	-	-	-	-	120,258
Other comprehensive income	-	-	-	-	360	(6,583)	(134,814)	-	-	(141,037)
Total comprehensive income	-	-	-	-	360	(6,583)	(134,814)	-	-	(141,037)
Other changes in capital surplus:										
Due to recognition of equity component of convertible bonds (preference share) issued	-	31,990	-	-	-	-	-	-	-	31,990
Conversion of convertible bonds	63,383	47,381	-	-	-	-	-	-	-	110,764
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	2,854	2,854
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	159	-	-	-	-	-	-	-	159
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	78	-	-	-	-	-	-	-	78
Changes in ownership interests in subsidiaries	-	(13,998)	-	-	-	-	-	-	-	(13,998)
Share-based payments	-	(149)	-	-	-	-	-	-	5,001	4,522
Balance at December 31, 2021	\$ 1,288,617	1,619,038	4,841	-	124,188	(183,608)	(152,240)	-	(59,048)	2,640,411

See accompanying notes to consolidated financial statements.

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

## EDISON OPTO CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 121,948	42,154
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	22,458	19,343
Amortization expense	169	458
Expected credit loss (reversal)	(361)	154
Net gain on financial assets or liabilities at fair value through profit or loss	(1,002)	-
Interest expense	13,317	4,024
Interest income	(733)	(1,799)
Share-based payments	4,522	1,206
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(94,298)	(12,281)
Gain on disposal of property, plant and equipment	(7,567)	(2,731)
Gain on disposal of other assets	(3)	-
Unrealized profit from sales	6,213	5,632
Realized profit on from sales	(5,632)	(3,181)
<b>Total adjustments to reconcile profit (loss)</b>	<b>(62,917)</b>	<b>10,825</b>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	(3,738)	(988)
Accounts receivable	(18,050)	(1,271)
Accounts receivable due from related parties	39,914	(23,556)
Other receivable	-	62
Other receivable due from related parties	1,046	5,531
Inventories	(24,141)	(8,344)
Prepayments	1,069	(5,452)
Other current assets	(14,917)	(8,114)
Notes payable	(652)	(6)
Accounts payable	(635)	(14,767)
Accounts payable to related parties	81,269	(87,126)
Other payable	10,232	(8,440)
Other current liabilities	10,388	6,797
Net defined benefit liability	488	400
<b>Total changes in operating assets and liabilities</b>	<b>82,273</b>	<b>(145,274)</b>
Cash flows from (used in) operations	141,304	(92,295)
Interest received	670	1,759
Interest paid	(5,025)	(4,024)
Income taxes refund (paid)	(2,897)	(160)
<b>Net cash flows from (used in) operating activities</b>	<b>134,052</b>	<b>(94,720)</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(8,305)	-
Proceeds from disposal of financial assets at fair value through profit or loss	9,307	-
Acquisition of investments accounted for using equity method	(46,600)	-
Proceeds from disposal of subsidiaries	-	34,583
Proceeds from capital reduction of investments accounted for using equity method	-	291,138
Acquisition of property, plant and equipment	(434,022)	(9,120)
Proceeds from disposal of property, plant and equipment	10	10,271
Increase in refundable deposits	-	(321)
Increase in restricted deposits	(23)	(25)
Increase in other non-current assets	(29,302)	(107,571)
Increase in prepayments for business facilities	(122)	(297)
Dividends received	22,300	20,220
<b>Net cash flows from (used in) investing activities</b>	<b>(486,757)</b>	<b>238,878</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,038,492	1,257,043
Decrease in short-term loans	(1,312,020)	(1,153,250)
Proceeds from issuing bonds	297,503	-
Proceeds from long-term debt	321,600	-
Repayments of long-term debt	(14,740)	-
Decrease in guarantee deposits received	(12)	(9)
Payment of lease liabilities	(3,303)	(2,278)
Cash dividends paid	(40,000)	(12,300)
Payments to acquire treasury shares	-	(19,832)
<b>Net cash flows from financing activities</b>	<b>287,520</b>	<b>69,374</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,228</b>	<b>(18)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(62,957)</b>	<b>213,514</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>401,122</b>	<b>187,608</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 338,165</b>	<b>401,122</b>

See accompanying notes to consolidated financial statements

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

**EDISON OPTO CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

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

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

These financial statements were authorized for issuance by the Board of Directors on February 24, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to 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 financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the 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 are recognized in profit or loss.

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

#### 4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)



## EDISON OPTO CORPORATION

### Notes to the Financial Statements

#### 5) Derecognition of financial assets

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Treasury shares

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

##### 4) Compound financial instruments

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

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

#### 5) Financial liabilities

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

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

#### 6) Derecognition of financial liabilities

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

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

#### 7) Offsetting of financial assets and liabilities

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

#### (g) Inventories

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

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(h) Investment in subsidiary

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

#### (j) Leases

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

##### (i) As a lessee

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

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

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

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

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

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

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

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

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

(ii) As a lessor

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

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

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

#### (iii) Amortization

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

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

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

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

#### (l) Impairment of non-financial assets

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

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

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

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

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

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

#### (m) Revenue from contracts with customers

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

(i) Sale of goods

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

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

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

(ii) Financing components

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

(n) Government grant

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)



## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

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

#### (iii) Short-term employee benefits

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

#### (p) Share-based payment

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

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

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

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

#### (q) Income taxes

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

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

(Continued)



## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

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

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

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

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

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

(r) Earnings per share

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

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**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(s) Segment information

Please refer to the financial report of Edison Opto Corporation for the years ended December 31, 2021 and 2020, for operating segments information.

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

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

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

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

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

(a) The loss allowance of trade receivable

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

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

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

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash	\$ 4,050	6,005
Demand Deposit	281,615	263,192
Time Deposit	52,500	131,925
	<b><u>\$ 338,165</u></b>	<b><u>401,122</u></b>

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

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

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(b) Financial assets measured at cost

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Debt investments at fair value through profit or loss:		
Convertible corporate bonds-call options	\$ <u>574</u>	<u>-</u>

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

(c) Notes and accounts receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ 4,797	1,059
Accounts receivable	145,395	127,516
Accounts receivable from related parties	9,851	49,765
Overdue receivable	2,198	2,027
Less: Loss allowance	<u>(2,245)</u>	<u>(2,606)</u>
	<b>\$ <u>159,996</u></b>	<b><u>177,761</u></b>

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

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 157,764	0%	4
30 days past due	2,025	0.69%	14
31 to 180 days past due	<u>254</u>	11.42%	<u>29</u>
	<b>\$ <u>160,043</u></b>		<b><u>47</u></b>
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
180 days past due	<u>\$ 2,198</u>	100%	<u>2,198</u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 158,123	0%	3
30 days past due	19,780	2.68%	530
31 to 180 days past due	437	10.53%	46
	<u><b>\$ 178,340</b></u>		<u><b>579</b></u>
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Past due over 180 days	<u><b>\$ 2,027</b></u>	100%	<u><b>2,027</b></u>

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

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,606	31,910
Impairment losses recognized	-	154
Impairment loss reversal	(361)	-
Amounts write-off	-	(29,458)
Balance at December 31	<u><b>\$ 2,245</b></u>	<u><b>2,606</b></u>

Note and account receivables of the Company were not pledged.

(d) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other accounts receivable	\$ 120	57
Other accounts receivable from related parties	3,215	4,261
Total	<u><b>\$ 3,335</b></u>	<u><b>4,318</b></u>

Other receivables of the Company were not pledged.

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**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(e) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 27,699	8,522
Supplies	160	200
Work in progress	6,938	6,757
Finished goods	13,366	8,543
	<u><u>\$ 48,163</u></u>	<u><u>24,022</u></u>

The details of the cost of sales were as follows:

	<b>2021</b>	<b>2020</b>
Inventory that has been sold	\$ 779,027	801,469
Write-down of inventories (reversal of write-downs)	(2,539)	(4,425)
Unallocated production overheads	11,954	11,954
	<u><u>\$ 788,442</u></u>	<u><u>808,998</u></u>

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

(f) Investments accounted for using equity method

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiary	<u><u>\$ 1,810,867</u></u>	<u><u>1,837,597</u></u>

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

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

- (i) Edison-Litek Opto Corporation issued a total of 155 thousand shares in March 2021 as employee remuneration. Furthermore, 4,145 thousand shares were issued for cash capital increase in December 2021, wherein the Company acquired 1,300 thousand shares in cash amounting to \$15,600 thousand, resulting in the shareholding ratio of the Company to decrease from 100% to 78.57%.

The effect of changes in shareholdings was as follows:

	<b>2021</b>
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<u><u>\$ (13,998)</u></u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

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

	<b>2020</b>
Carrying amount of non-controlling interest on acquisition	<b>\$ 14,381</b>

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020, were as follows:

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Molding equipment</b>	<b>Other facilities</b>	<b>Total</b>
Cost or deemed cost:						
Balance at January 1, 2021	\$ 260,051	214,350	286,825	1,216	17,024	779,466
Additions	351,073	76,584	5,917	80	368	434,022
Disposal	-	-	(3,601)	-	(1,498)	(5,099)
Reclassify	26,738	77,775	111	186	-	104,810
Balance at December 31, 2021	<b>\$ 637,862</b>	<b>368,709</b>	<b>289,252</b>	<b>1,482</b>	<b>15,894</b>	<b>1,313,199</b>
Balance at January 1, 2020	\$ 260,051	213,215	288,171	1,136	17,495	780,068
Additions	-	1,265	7,775	80	-	9,120
Disposal	-	(130)	(22,744)	-	(471)	(23,345)
Reclassify	-	-	13,623	-	-	13,623
Balance at December 31, 2020	<b>\$ 260,051</b>	<b>214,350</b>	<b>286,825</b>	<b>1,216</b>	<b>17,024</b>	<b>779,466</b>
Depreciation and impairments loss:						
Balance at January 1, 2021	\$ -	86,982	259,940	1,142	16,955	365,019
Depreciation	-	8,132	10,671	159	97	19,059
Disposal	-	-	(3,601)	-	(1,498)	(5,099)
Balance at December 31, 2021	<b>\$ -</b>	<b>95,114</b>	<b>267,010</b>	<b>1,301</b>	<b>15,554</b>	<b>378,979</b>
Balance at January 1, 2020	\$ -	81,387	271,550	1,000	17,309	371,246
Depreciation	-	5,725	11,029	142	57	16,953
Disposal	-	(130)	(22,639)	-	(411)	(23,180)
Impairment loss	-	-	-	-	-	-
Balance at December 31, 2020	<b>\$ -</b>	<b>86,982</b>	<b>259,940</b>	<b>1,142</b>	<b>16,955</b>	<b>365,019</b>
Carrying amounts:						
Balance at December 31, 2021	<b>\$ 637,862</b>	<b>273,595</b>	<b>22,242</b>	<b>181</b>	<b>340</b>	<b>934,220</b>
Balance at December 31, 2020	<b>\$ 260,051</b>	<b>127,368</b>	<b>26,885</b>	<b>74</b>	<b>69</b>	<b>414,447</b>
Balance at January 1, 2020	<b>\$ 260,051</b>	<b>131,828</b>	<b>16,621</b>	<b>136</b>	<b>186</b>	<b>408,822</b>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(i) Guarantee

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

(ii) Prepaid payments for land and buildings

The Company purchased a new office with \$536,000 thousand and had prepaid \$107,571 thousand 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.

(i) Right-of-use asset

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

	<u>Building and construction</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2021	\$ 1,503	4,421	5,924
Additions	3,523	1,134	4,657
Disposal	(1,503)	-	(1,503)
Balance at December 31, 2021	<u>\$ 3,523</u>	<u>5,555</u>	<u>9,078</u>
Balance at January 1, 2020	1,761	3,842	5,603
Additions	1,190	579	1,769
Disposal	(1,448)	-	(1,448)
Balance at December 31, 2020	<u>\$ 1,503</u>	<u>4,421</u>	<u>5,924</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ 844	1,836	2,680
Depreciation for the year	1,854	1,545	3,399
Disposal	(1,439)	-	(1,439)
Balance at December 31, 2021	<u>\$ 1,259</u>	<u>3,381</u>	<u>4,640</u>
Balance at January 1, 2020	\$ 1,127	611	1,738
Depreciation for the year	1,165	1,225	2,390
Disposal	(1,448)	-	(1,448)
Balance at December 31, 2020	<u>844</u>	<u>1,836</u>	<u>2,680</u>
Carrying amount:			
Balance at December 31, 2021	<u>\$ 2,264</u>	<u>2,174</u>	<u>4,438</u>
Balance at December 31, 2020	<u>\$ 659</u>	<u>2,585</u>	<u>3,244</u>
Balance at January 1, 2020	<u>\$ 634</u>	<u>3,231</u>	<u>3,865</u>

The company leases offices, warehouse and dormitory for the year 2021 and 2020, please refer to note 6(m).

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	\$ 69,200	340,499
Total	<b>\$ 69,200</b>	<b>340,499</b>
Unused short-term credit lines	<b>\$ 1,347,822</b>	<b>1,139,219</b>
Range of interest rates	<b>0.9%</b>	<b>0.16%~1.23%</b>

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

(k) Long-term borrowings

	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	1.1966~1.2011%	2041	\$ 306,860
Less: due within one year				(16,080)
Total				<b>\$ 290,780</b>

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

(l) Bonds payable

	<b>December 31, 2021</b>
Total convertible corporate bonds issued	\$ 300,000
Unamortized discounted corporate bonds payable	(14,212)
Cumulative converted amount	(122,200)
Convertible bonds issued balance	<b>\$ 163,588</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>\$ 18,960</b>
	<b>2021</b>
Interest expense	<b>\$ 8,266</b>

<b>Items</b>	<b>Third secured domestic convertible bonds</b>
1.Total issue amount	300,000 thousand
2.Par value	100 thousand
3.Maturity date	January 25, 2021 ~ January 25, 2024
4.Outstanding period	3 years
5.Coupon rate	0%

(Continued)



**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

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

(m) Lease liabilities

The Company's finance lease liabilities was as follows :

	December 31, 2021	December 31, 2020
Current	\$ <u>3,708</u>	<u>1,941</u>
Non-current	\$ <u>1,099</u>	<u>1,579</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	\$ <u>676</u>	<u>529</u>
Expenses relating to short term leases	\$ <u>235</u>	<u>-</u>
Expenses relating to leases of low value assets, excluding short term leases of low value assets	\$ <u>137</u>	<u>156</u>

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

	2021	2020
Total cash outflow for leases	\$ <u>4,351</u>	<u>2,963</u>

(i) Real estate leases

As of December 31, 2021, the Company leases building as employees' dormitories, the lease terms are ranged for a period of one to two years. Some of the terms can be extended upon maturity. However, if the option of extension is uncertain, the related expenditures occurred in the covered period would not be accounted for as lease liabilities.

(ii) Other leases

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

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(n) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	\$ 20,345	21,118
Fair value of plan assets	(8,635)	(9,536)
Net defined benefit liabilities	<b><u>\$ 11,710</u></b>	<b><u>11,582</u></b>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account amounted to \$8,635 thousand. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>2021</b>	<b>2020</b>
Defined benefit obligations at January 1	\$ 21,118	27,168
Current service costs and interest cost	624	761
Re-measurements of the net defined benefit liability	(263)	(5,978)
Payment of benefit obligations	(1,134)	(833)
Defined benefit obligations at December 31	<b><u>\$ 20,345</u></b>	<b><u>21,118</u></b>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

3) Movements of defined benefit plan assets

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

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 9,536	9,731
Interest income	73	110
Re-measurements of the net defined benefit liability	97	279
Contributed to plan	63	249
Payment of benefit obligations	<u>(1,134)</u>	<u>(833)</u>
Fair value of plan assets at December 31	<u><u>\$ 8,635</u></u>	<u><u>9,536</u></u>

4) Expenses recognized in profit or loss

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 466	457
Net interest of net liabilities (assets) for defined benefit	<u>85</u>	<u>194</u>
	<u><u>\$ 551</u></u>	<u><u>651</u></u>
	<u>2021</u>	<u>2020</u>
Operating cost	\$ 119	302
Operating expense	<u>432</u>	<u>349</u>
	<u><u>\$ 551</u></u>	<u><u>651</u></u>

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

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

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ 5,345	11,602
Recognized during the period	<u>(360)</u>	<u>(6,257)</u>
Accumulated amount at December 31	<u><u>\$ 4,985</u></u>	<u><u>5,345</u></u>

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**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

6) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.750 %	0.750 %
Future salary increase rate	2.500 %	2.500 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$566 thousand.

The weighted average lifetime of the defined benefits plans is 15.16 years.

7) Sensitivity analysis

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

	<b>Influences of defined benefit obligation</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2021		
Discount rate (movement of 0.25%)	(614)	635
Future salary increasing rate (movement of 0.25%)	608	(596)
December 31, 2020		
Discount rate (movement of 0.25%)	(618)	707
Future salary increasing rate (movement of 0.25%)	683	(660)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$5,406 thousand and \$4,747 thousand in 2021 and 2020.

(Continued)

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**Notes to the Financial Statements**

(o) Income taxes

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ -	-
Deferred tax income	-	-
Occurrences and reversal of temporary differences	7,897	-
Tax effect if deductible temporary differences	(932)	-
Recognition of unrecognized tax loss in prior periods	<u>(5,275)</u>	<u>-</u>
Tax income	<u>\$ 1,690</u>	<u>-</u>

Reconciliation of income tax and income before tax for 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Gain before income tax	<u>\$ 121,948</u>	<u>42,154</u>
Income tax using subsidiaries tax rate	\$ 24,390	8,431
Non-deductible expense	(12,178)	6,706
Loss of investing foreign company	(7,833)	(2,004)
Change in unrecognized temporary difference	(932)	1,201
Current-year losses for which no deferred tax asset was recognized	(2,769)	(8,434)
Income tax on foreign repatriations of surplus	-	(3,843)
Investment allowance	-	(1,647)
Other	<u>1,012</u>	<u>(410)</u>
Total	<u>\$ 1,690</u>	<u>-</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at 31 December 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Aggregated amount of temporary differences related to investment subsidiaries	<u>\$ 103,896</u>	<u>95,435</u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

2) Unrecognized deferred tax assets

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax effect of deductible Temporary Differences	\$ -	6,785
The carry forward of unused tax losses	137,029	195,730
	<b><u>\$ 137,029</u></b>	<b><u>202,515</u></b>

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

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

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<b>Allowance for obsolete inventory</b>	<b>Others</b>	<b>Tax deduction</b>	<b>Total</b>
<b>Deferred tax assets:</b>				
January 1, 2021	\$ 3,815	7,584	50,354	61,753
Recognized in profit or loss	(1,271)	(5,269)	5,275	(1,265)
December 31, 2021	<b><u>\$ 2,544</u></b>	<b><u>2,315</u></b>	<b><u>55,629</u></b>	<b><u>60,488</u></b>
December 31, 2020 (as beginning of the year)	<b><u>\$ 3,815</u></b>	<b><u>7,584</u></b>	<b><u>50,354</u></b>	<b><u>61,753</u></b>
	<b>Equity investment</b>	<b>Others</b>	<b>Total</b>	
<b>Deferred tax liabilities:</b>				
January 1, 2021	\$ 2,035	-	2,035	
Recognized in profit or loss	(878)	1,303	425	
December 31, 2021	<b><u>\$ 1,157</u></b>	<b><u>1,303</u></b>	<b><u>2,460</u></b>	
December 31, 2020 (as beginning of year)	<b><u>\$ 2,035</u></b>	<b><u>-</u></b>	<b><u>2,035</u></b>	

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

- 4) As at December 31, 2021, the expiry years of the Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Before loss deduction</u>	<u>Year after deduction</u>
2014	\$ 79,911	2024
2015	75,078	2025
2016	93,672	2026
2017	90,158	2027
2018	47,537	2028
2019	28,818	2029
	<u>\$ 415,174</u>	

- (iii) Assessment of tax

The Company's tax returns for the year through 2019 were assessed by the Taipei National Tax Administration.

- (p) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 2,000,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to 200,000 thousand shares. As of December 31, 2021 and 2020, 128,862 thousand and \$122,556 thousand of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)	<u>Ordinary shares</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	122,556	125,001
converting corporate bonds	6,339	-
Retirement of treasury stock	-	(1,618)
Retirement of restrict employee stock	(33)	(827)
Balance at December 31	<u>128,862</u>	<u>122,556</u>

- (i) Ordinary shares

The Company cancelled 827 thousand new restricted stock and 1,618 thousand treasury stocks in August 2020. In addition, the Company cancelled 33 thousand new restricted stock in July 2021. All the statutory registration procedures above had been completed as of the reporting date.

The unsecured domestic convertible bonds issued by the Company were converted into 5 thousand shares, 5,679 thousand shares and 655 thousand ordinary shares in the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter, respectively, of 2021, with the first two relevant statutory registration procedures had been completed in July and August of 2021.

(Continued)



**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Premium on issuance of capital stock	\$ 1,500,428	1,439,858
Difference arising from subsidiary's share price and its carrying value	461	14,381
Employee share options	72,142	72,142
Restricted employee	27,047	27,196
Treasury share transactions	18,960	-
	<b><u>\$ 1,619,038</u></b>	<b><u>1,553,577</u></b>

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

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

(iii) Retained earnings

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

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

A resolution was made during the shareholders' meeting held on July 15, 2021, to distribute a cash dividend of \$40,000 thousand. 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.

(iv) Treasury shares

- 1) The Group purchased 1,618 thousand treasury shares to maintain the credit of the Company and shareholders' benefits through April to May 2020. The Company decided to retire 1,618 thousand treasury shares, at the amount of \$19,832 thousand, via the Board Meeting in August 2020. The related registration procedures were completed as of the reporting date. As of December 31, 2021, 3,000 thousand shares of treasury share has yet to be sold.
- 2) Ledionopto Lighting Inc., sub subsidiary of the Company, held 500 thousand shares of the Company's treasury share. The book value on of December 31, 2021 and 2020 were \$6,796 thousand and \$9,650 thousand. As of December 31, 2021, all treasury stocks were not sold. The market price on December 31, 2021 and 2020 were \$23.60 and \$19.30 per share, respectively.
- 3) In compliance with the Securities and Exchange Act, treasury shares held by the Group should not be pledged, and shareholder rights are not entitled before the transfer.

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(v) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2021	\$ (177,025)	(17,426)	(6,378)	(200,829)
Share-based payment	-	-	4,522	4,522
Exchange differences on foreign operations	(6,583)	-	-	(6,583)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(134,814)	-	(134,814)
Restrict employee rights stock failure	-	-	479	-
Balance at December 31, 2021	<u>\$ (183,608)</u>	<u>(152,240)</u>	<u>(1,377)</u>	<u>(337,225)</u>

  

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

According to the Company's subsidiary, Edison Fund Investment Corporation, which holds 15.39% of the ordinary shares of LEDLitek Co., Ltd., the Company's main operating activities are research and development, manufacturing, and sales of automotive lighting modules. These equity instrument investments held by Edison Fund Investment Corporation are long-term strategic investments and are not held for trading purposes, hence, they have been designated as financial assets measured at fair value through other comprehensive gains and losses. In 2021, Edison Fund Investment Corporation incurred a significant loss on its business operation, resulting in a recognition of fair value evaluation loss of \$131,960 thousand, recognized as equity measured by using the fair value through other comprehensive gains and losses.

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(q) Share-based payment

(i) Restricted stock

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

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

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

	<u>2021</u>	<u>2020</u>
Outstanding at January 1 (number)	\$ 1,173	2,000
Granted during the year (number)	(570)	-
Forfeited during the year (number)	(33)	(827)
Outstanding at December 31 (number)	<u>\$ 570</u>	<u>1,173</u>

(ii) Expense recognized in profit or loss

The Company incurred expenses and liabilities of share-based arrangements in 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Expenses resulting from restriction of employee stock options	<u>\$ 4,522</u>	<u>1,206</u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(r) Earnings per share

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

	2021	2020
<b>Basic earnings per share</b>		
Profit of the Company for the year	\$ <u>120,258</u>	<u>42,154</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>120,537</u>	<u>119,058</u>
Basic earn per share (in New Taiwan Dollars)	\$ <u>1.00</u>	<u>0.35</u>
	2021	2020
<b>Diluted earnings per share</b>		
Profit of the Company for the year	\$ 120,258	42,154
Effect of dilutive potential ordinary shares:	<u>6,613</u>	<u>-</u>
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinaryshare)	\$ <u>126,871</u>	<u>42,154</u>
Weighted average number of ordinary shares (in thousand of shares)	120,537	119,058
Effect of employee share bonus (in thousand of shares)	296	140
Effect of convertible bonds (in thousand of shares)	11,965	-
Effect of restricted employee shares unrested (in thousand of shares)	<u>871</u>	<u>1,589</u>
Weighted average number of ordinary shares (diluted)	<u>133,669</u>	<u>120,787</u>
Diluted earn per share (in New Taiwan Dollars)	\$ <u>0.95</u>	<u>0.35</u>

(s) Revenue from contracts with customers

(i) Revenue detail

	2021	2020
<b>Major market:</b>		
China	\$ 156,226	136,488
America and Europe	327,075	233,461
Taiwan	179,268	113,484
Africa	30,276	154,402
Others	<u>266,469</u>	<u>280,150</u>
	\$ <u>959,314</u>	<u>917,985</u>
<b>Major product:</b>		
LED transmitter component	\$ 36,956	35,217
LED lighting component	305,318	300,138
LED lighting module and product	527,505	505,874
Other	<u>89,535</u>	<u>76,756</u>
	\$ <u>959,314</u>	<u>917,985</u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Note receivables	\$ 4,797	1,059	71
Accounts receivables	145,395	127,516	126,245
Accounts receivables-related party	9,851	49,765	26,209
Less: loss allowances	(47)	(579)	(425)
Total	<u>\$ 159,996</u>	<u>177,761</u>	<u>152,100</u>

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

(t) Remuneration to employees, directors

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

For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employee remuneration amounting to \$6,500 thousand and \$2,250 thousand, respectively; as well as its remuneration to directors amounting to \$1,500 thousand and \$450 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020. The related information can be accessed from the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2021	2020
Interest income	<u>\$ 733</u>	<u>1,799</u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(ii) Other income

The details of other income were as follows:

	<u>2021</u>	<u>2020</u>
Other income	\$ <u>20,931</u>	<u>42,040</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Net losses on disposal of property, plant. and equipment	\$ 7,567	2,731
Net gains (losses) on foreign exchange	(771)	4,239
Net gain on financial assets at fair value through profit or loss	1,002	-
Other	<u>(4,814)</u>	<u>(601)</u>
	\$ <u>2,984</u>	<u>6,369</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2021</u>	<u>2020</u>
Interest expense	\$ <u>(13,317)</u>	<u>(4,024)</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

3) Receivable

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

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Secured short and long term loans	\$ 306,860	(342,043)	(9,860)	(9,812)	(19,470)	(57,256)	(245,645)
Unsecured short term loans	69,200	(69,354)	(69,354)	-	-	-	-
Lease liabilities	4,807	(5,261)	(2,104)	(2,001)	(1,085)	(71)	-
Notes payable and accounts payable (including related parties)	174,363	(174,363)	(174,363)	-	-	-	-
Other payable (including related parties)	44,508	(44,508)	(44,508)	-	-	-	-
	<u>163,588</u>	<u>(177,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,800)</u>	<u>-</u>
Bonds payable							
	<u>\$ 763,326</u>	<u>(813,329)</u>	<u>(300,189)</u>	<u>(11,813)</u>	<u>(20,555)</u>	<u>(235,127)</u>	<u>(245,645)</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Secured short term loans	\$ 20,000	(20,001)	(20,001)	-	-	-	-
Secured short term loans	320,499	(320,622)	(320,622)	-	-	-	-
Notes payable and accounts payable (related parties included)	3,520	(3,951)	(1,360)	(901)	(1,560)	(130)	-
Lease liabilities	94,381	(94,381)	(94,381)	-	-	-	-
Notes payable and accounts payable (including related parties)	<u>34,250</u>	<u>(34,250)</u>	<u>(34,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 472,650</u>	<u>(473,205)</u>	<u>(470,614)</u>	<u>(901)</u>	<u>(1,560)</u>	<u>(130)</u>	<u>-</u>

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

(Continued)



**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 6,389	USD/TWD=	27.680	176,848	3,647	USD/TWD=	28.480 103,867
CNY	12,516	CNY/TWD=	4.3440	54,370	17,873	CNY/TWD=	4.3770 78,230
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	8,581	USD/TWD=	27.680	237,522	10,931	USD/TWD=	28.480 311,315
CNY	2	CNY/TWD=	4.3440	9	129	CNY/TWD=	4.3770 565

2) Sensitivity analysis

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

A strengthening (weakening) of 5% of the TWD against the USD and CNY as at December 31, 2021 and 2020 would have increased (decreased) the equity by \$(316) thousand and \$(6,489) thousand due to cash flow hedges. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

		2021		2020	
		Exchange losses/gains	Exchange rate	Exchange losses/gains	Exchange rate
NTD	\$	(771)	-	4,239	-

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 50 basis points, the Company's net income would have increased / decreased by \$1,880 thousand and \$1,702 thousand for the year ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value of financial instruments

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

(w) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

#### (iii) Credit risk

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

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

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

#### (iv) Liquidity risk

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

#### (v) Market risk

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

##### 1) Currency risk

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

The Company do not use derivative financial assets for hedging.

2) Interest rate risk

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

3) Other market price risk

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

(x) Capital management

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

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

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

The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 811,476	509,870
Less: cash and cash equivalents	(338,165)	(401,122)
Net debt	<b>\$ 473,311</b>	<b>108,748</b>
Total equity	\$ 2,640,411	2,564,821
Less: hedging reserve	-	-
Adjusted equity	<b>\$ 2,640,411</b>	<b>2,564,821</b>
Debt-to-equity ratio	<b>17.93 %</b>	<b>4.24 %</b>

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

(y) Investing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

	January 1, 2021	Cash Flow	Non-cash changes				December 31, 2021
			Foreign exchange movement	Changes in lease payments	Discount and premium amortization	Conversion option	
Short-term borrowings	\$ 340,499	(273,528)	2,229	-	-	-	69,200
Lease liabilities	3,520	(3,979)	-	5,266	-	-	4,807
Long term borrowings	-	306,860	-	-	-	-	306,860
Bonds payable	-	303,000	-	-	(17,212)	(122,200)	163,588
Total liabilities from financing activities	<u>\$ 344,019</u>	<u>332,353</u>	<u>2,229</u>	<u>5,266</u>	<u>(17,212)</u>	<u>(122,200)</u>	<u>544,455</u>

  

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

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

(a) Parent company and ultimate controlling company

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

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Best Opto Corporation	Subsidiary of the company
Ledison Opto Corporation	Subsidiary of the company
Edison Opto Corporation	Subsidiary of the company
Edison Fund Investment Corporation	Subsidiary of the company
Edison-Litek Opto Corporation	Subsidiary of the company
Edison-Egypt Opto Corporation	Subsidiary of the company
Edison Opto USA Corporation	Sub-subsidiary of the company
Ledionopto Intelligent Technology Co., Ltd.	Sub-subsidiary of the company
Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary of the company
Davinci Opto Corporation (Note 2)	Sub-subsidiary of the company

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
DongGuan Davinci Opto Co., Ltd. (Note 1)	Sub-subsidiary of the company
Edison Opto (Dong Guan) Co., Ltd.	Sub-subsidiary of the company
Yangzhou Edison Opto Corporation	Sub-subsidiary of the company
Best Led Corporation	Sub-subsidiary of the company
Led Plus Co., Ltd (Note 1)	Sub-subsidiary of the company
Edison-Litek Opto Corporation Limited	Sub-subsidiary of the company
Edison Auto Lighting Corporation	Sub-subsidiary of the company
Yangzhou Aichuang Electronic Trade Corporation	Sub-subsidiary of the company
Wu Chien-Jung	Chairman of the company

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

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

(c) Significant transactions with related parties

(i) Sale

	<u>2021</u>	<u>2020</u>
Sub-subsidiary-Edison Opto USA	\$ 51,563	41,230
Sub-subsidiary-Edison Opto (Dong Guan)	54,118	60,709
Sub-subsidiary-Yangzhou Edison Opto	26,604	20,546
Sub-subsidiary-Edison-Egypt Opto	-	12,158
Other	<u>3,873</u>	<u>3,116</u>
	<u><b>\$ 136,158</b></u>	<u><b>137,759</b></u>

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

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

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(ii) Purchases

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

	<b>2021</b>	<b>2020</b>
Subsidiary company-Edison Opto	\$ -	126,595
Subsidiary company-Edison Opto (Dong Guan)	254,343	143,290
Subsidiary company-Yangzhou Edison Opto	329,985	357,161
Other	8,914	-
	<u><u>\$ 593,242</u></u>	<u><u>627,046</u></u>

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

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

The sales amount in 2021 and 2020 was \$63,451 thousand and \$50,236 thousand respectively, the repurchased amount of finished products in 2021 and 2020 were \$69,998 thousand and \$56,235 thousand respectively.

(iii) Property transactions

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

	<b>2020</b>
	<b>Disposal price</b>
Subsidiary company-	<u><u>\$ 9,979</u></u>
	<u><u>Gain (loss)</u></u>
	<u><u>from disposal</u></u>
	<u><u>9,874</u></u>

(iv) Guarantee

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

(v) Other

1) Manager service revenue

	<b>2021</b>	<b>2020</b>
Subsidiary company-Edison-Litek Opto	\$ 5,162	5,816
Subsidiary company-Edison-Egypt Opto	2,340	7,368
Other	-	849
	<u><u>\$ 7,502</u></u>	<u><u>14,033</u></u>

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

2) Rental revenue

	<b>2021</b>	<b>2020</b>
Subsidiary company-Edison-Litek Opto	\$ 12,438	12,343
Other	<u>136</u>	<u>218</u>
	<b><u>\$ 12,574</u></b>	<b><u>12,561</u></b>

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

- 3) As of December 31, 2021 and 2020, the unrealized gains of deferred transactions between the parent and subsidiary companies were \$9,152 thousand and \$14,687 thousand respectively, which were included under long-term equity investment.
- 4) As of December 31, 2021 and 2020, the unrealized gains of deferred transactions between the parent and subsidiary companies were \$3,746 thousand and \$1,248 thousand, respectively, which were included under long-term equity investment and share of profit of associates & joint ventures accounted for using equity method, respectively.

(vi) Receivables from Related Parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	Sub-subsidiary-Edison Opto		
	USA	\$ 8,045	14,439
Accounts receivable	Sub-subsidiary-Edison Opto		
	(Dong Guan)	-	34,887
Accounts receivable	Sub-subsidiary-Edison-Litek		
	Opto	1,766	-
Accounts receivable	Other	<u>40</u>	<u>439</u>
Subtotal		<u>9,851</u>	<u>49,765</u>
Other receivables	Subsidiary company-Edison-		
	Litek Opto	2,883	3,220
Other receivables	Subsidiary company-Edison-		
	Egypt Opto	161	642
Other receivables	Other	<u>171</u>	<u>399</u>
Subtotal		<u>3,215</u>	<u>4,261</u>
		<b><u>\$ 13,066</u></b>	<b><u>54,026</u></b>

(Continued)



**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(vii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Sub-subsidiary-Yangzhou Edison Opto	\$ 106,686	23,469
Accounts payable	Subsidiary company-Edison Opto	-	25,670
Accounts payable	Other	23,722	-
Total		<u><u>\$ 130,408</u></u>	<u><u>49,139</u></u>

(viii) Guarantee

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 14,304	13,239
Post-retirement benefits	628	-
Share-based payments	1,554	273
	<u><u>\$ 16,486</u></u>	<u><u>13,512</u></u>

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deposits (classified under other current financial assets)	The guarantee letter of credit	\$ 12,259	17,312
Deposits (classified under other non-current financial assets)	Performance deposit (note)	20,000	-
Deposits (classified under other non-current financial assets)	Deposit to customs	2,836	2,813
Property, plant, and equipment	Issuance of corporate bonds guarantee	199,931	202,015
Property, plant, and equipment	Long-term borrowing	529,083	-
		<u><u>\$ 764,109</u></u>	<u><u>222,140</u></u>

Note: please refer to note 11 for details.

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

**(9) Commitments and contingencies:**

- (a) The Company's unrecognized contractual commitments are as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	\$ <u>20,181</u>	<u>428,767</u>

- (b) The Company won the bid for "The third District of Tainan's city LED light construction project" in May 2021, and according to the agreement between both parties, the pledge of the fixed deposit is provided as a performance bond amounting to \$20,000 thousand, recognized as "other current asset". However, the Company failed to meet certain conditions stipulated in the contract. Hence, in November 2021, the Company received a letter from the Tainan City Government Works Bureau stating that the aforesaid contract will be terminated; moreover, implementing that the pledged deposit of \$20,000 thousand will be confiscated, plus, an additional of \$5,000 thousand will be demanded from the Company as compensation. In January 2022, the Company has filed an objection against the decision made by the Tainan City Government Work, and demanded a full refund of its pledged deposit and the disregard of the compensation amounting to \$5,000 thousand. The Company evaluated that it has a big probability of winning the case. A legal process has yet to be carried out depending on the outcome of the situation.

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

**(11) Subsequent Events:**

Please refer to note 9 for details.

**(12) Other:**

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

By item	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	33,279	80,192	113,471	31,488	60,998	92,486
Labor and health insurance	3,749	6,995	10,744	3,636	5,668	9,304
Pension	1,690	4,267	5,957	1,956	3,442	5,398
Director's remuneration	-	2,457	2,457	-	924	924
Others	2,446	3,469	5,915	2,660	3,583	6,243
Depreciation	13,809	8,649	22,458	10,743	8,600	19,343
Amortization	39	130	169	86	372	458

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

Further information of the number of employees and employee benefits as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
<b>Employees</b>	<b><u>152</u></b>	<b><u>149</u></b>
Directors not in concurrent employment	<u>7</u>	<u>6</u>
Average employee benefits	<u>\$ 939</u>	<u>793</u>
Average employee salary	<u>\$ 783</u>	<u>647</u>
Average raise of employee salary	<u>21.02 %</u>	<u>0.94 %</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

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

(a) Principles of compensation policies

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

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

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

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

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

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

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,318 (CNY6,000 thousand)	26,064 (CNY6,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	237,762 (Note1)	475,525 (Note1)
2	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Other receivables due from related parties	Yes	43,863 (CNY10,000 thousand)	43,440 (CNY10,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	237,762 (Note1)	475,525 (Note1)
3	Edison-Litek Opto Corporation Limited	Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	31,389 (USD1,100 thousand)	30,448 (USD1,100 thousand)	-	1%	2	-	Short-term financing	-	-	-	48,934 (Note1)	97,868 (Note1)

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

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

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

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

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

##### (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. RMB structured deposits of Bank of Communications - RMB financial product (exchange rate related)	Current financial assets at fair value through profit or loss	Bank of Communication Co., Ltd.	-	-	-	-	1,492,164 (RMB343,500 thousand)	-	1,496,212 (RMB344,432 thousand)	1,492,164	4,048	-	-
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.	-	-	-	-	364,896 (RMB84,000 thousand)	-	365,361 (RMB84,107 thousand)	364,896	465	-	-

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

- (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	107,571	Telin Construction Group	Non-related				-	Appraisal of real estate	Group operating demand	None

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Edison Opto (Dong Guan) Co., Ltd.	The company	Parents	Sales	(254,343)	(42.46)%	90 days	No significant difference	-	7,183	7.49 %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	254,343	31.24 %	90 days	No significant difference	-	(7,183)	(4.14)%	
Yangzhou Edison Opto Corporation	The company	Parents	Sales	(329,985)	(49.05)%	90 days	No significant difference	-	106,686	61.19 %	
The company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	329,985	40.53 %	90 days	No significant difference	-	(106,686)	(47.75)%	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Sub-subsidiary	Sales	(193,857)	(81.72)%	90 days	No significant difference	-	34,694	56.31 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary	Purchase	193,857	69.46 %	90 days	No significant difference	-	(34,694)	(59.07)%	

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Yangzhou Edison Opto Corporation	The Company	Subsidiary company	106,686 (USD3,854 thousand)	5.07	-		86,956 (USD3,141 thousand)	-

Note 1: As of February 15, 2021.

- (ix) Trading in derivative instruments: None

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	6,204	(140)	(140)	
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	229,348	10,957	10,425	
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,550,826	1,550,826	50,000	100.00 %	1,177,189	29,214	27,249	
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	655,000	25,000	100.00 %	77,945	8,647	8,488	
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	109,074	(1,948)	(868)	
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	64,500	48,900	11,000	78.57 %	189,903	37,259	36,712	
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	47,940	2,500	100.00 %	21,204	12,432	12,432	
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,550,826	1,550,826	50,000	100.00 %	1,188,816	29,214	29,214	
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	30,679	16,710	9,191	
Edison Fund Investment Corporation	Ledionopto Intelligent Technology Corporation	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	19,684	(4,221)	(4,221)	
Edison Fund Investment Corporation	Davinci Opto Corporation	Taiwan	Selling of LED components and modules	-	5,000	-	- %	-	-	-	Note 1
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	5,100	1,000	100.00 %	4,020	(1,260)	(1,221)	
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	33,187	3,463	28.06 %	68,654	(1,948)	(547)	

Note 1: The dissolution of the Company has been registered in 2021.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	145,991 (USD 4,500 thousand)	( 2 )	111,408 (USD 3,317 thousand)	-	-	111,408 (USD 3,317 thousand)	10,957 (USD 391 thousand)	100.00%	10,957 (USD 391 thousand)	235,521 (USD 8,509 thousand)	34,583 (USD 1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	( 2 )	52,255 (USD 1,714 thousand)	-	-	52,255 (USD 1,714 thousand)	-	-%	-	-	-

(Continued)

## EDISON OPTO CORPORATION

### Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Book value	Investment income (losses)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,550,826 (50,000 thousand)	( 2 )	USD 1,550,826 (50,000 thousand)	-	-	USD 1,550,826 (50,000 thousand)	USD 29,214 (1,043 thousand)	100.00%	USD 29,214 (1,043 thousand)	USD 1,188,812 (42,938 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	( 3 )	-	-	-	-	40 (RMB 9 thousand)	100.00%	40 (RMB 9 thousand)	2,233 (514 thousand)	-
Yangzhou Edison Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	( 2 )	USD 167,661 (5,500 thousand)	-	-	USD 167,661 (5,500 thousand)	(2,241) (USD (80) thousand)	72.64%	(1,628) (USD (58) thousand)	154,821 (USD 5,593 thousand)	-

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

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

Note 2: The dissolution has registered in 2020.

#### (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,829,895 (USD58,817 thousand)	1,654,434 (note 3) (USD59,770 thousand)	Note 1
Ledionopto Intelligent Technology Corporation	52,255 (note 2) (USD1,714 thousand)	47,444 (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 Intelligent Technology Corporation indirectly invested USD2,000 thousand, had completed the cancellation of its business registration and liquidation with the approval of Investment Commission in June 2020. The investment capital amounting to USD286 thousand had been remitted to Ledionopto. However, according to the regulation, the remittance to Mainland China amounting to USD1,174 thousand had been included in the accumulated investment amount.

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

(Continued)

**EDISON OPTO CORPORATION**  
**Notes to the Financial Statements**

(iii) Significant transactions:

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

(d) Major shareholders:

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

**(14) Segment information:**

Please refer to 2021 consolidated financial report.

(Continued)



## EDISON OPTO CORPORATION

## Cash and cash equivalent

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash	\$ 3,775
	Petty cash	275
	Subtotal	4,050
Bank deposit	Check deposit	39
	Demand deposit	174,586
	Foreign currency (CNY11,796@4.344 ; USD1,954 @27.68 ; HKD81@3.549 ; EUR27@31.32 ; JPY2,165@0.2405)	106,990
	Subtotal	281,615
	Time deposit	52,500
Total		\$ <u><u>338,165</u></u>

Note: The time deposit duration were 100~136 days, and interest rate range from 0.49~0.70%.

## EDISON OPTO CORPORATION

## Trade receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
104628	\$ 45,612
100714	22,854
100002	10,140
Others(less than 5%)	<u>66,789</u>
Subtotal	145,395
Less: Allowance for uncollectible accounts	<u>(47)</u>
Total	<u><u>\$ 145,348</u></u>

## Inventories

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market Price</u>	
Finished goods	\$ 20,386	25,197	Net Realizable Value
Work in process	7,468	7,653	Net Realizable Value
Raw materials	28,388	28,404	Net Realizable Value
Supplies	231	236	Net Realizable Value
Inventories in Transit	4,407	4,407	Market Price
Less : Allowance to reduce inventory to market	<u>(12,717)</u>	<u>-</u>	
Total	<u><u>\$ 48,163</u></u>	<u><u>65,897</u></u>	

## EDISON OPTO CORPORATION

## Prepayments

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Account</u>
Prepaid fee	\$ 6,067
Tax credit	4,814
Prepayment	4,062
Prepaid rent	3,227
Prepaid insurance	1,296
Others(less than 5%)	<u>1,430</u>
Total	<u><u>\$ 20,896</u></u>

## Other current asset

<u>Item</u>	<u>Account</u>
Restricted bank deposit	\$ 32,259
Other	<u>52</u>
Total	<u><u>\$ 32,311</u></u>

## EDISON OPTO CORPORATION

## Changes in investment

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending Balance Holding			Equity	Guarantee or Collateral	
	Shares	Amount	Shares	Amount	Shares	Amount	Profit or Cost	Others	Shares			Percentage
Edison Opto Corporation	30,000	\$ 6,525	-	-	-	-	(140)	(181)	30,000	100.00 %	6,204	None
Ledison Opto Corporation	4,500,000	220,457	-	-	-	-	10,425	(1,534)	4,500,000	100.00 %	229,348	None
Best Opto Corporation	50,000,000	1,149,610	-	-	-	-	27,249	330	50,000,000	100.00 %	1,177,189	None
Edison Fund Investment Corporation	21,900,000	166,872	3,100,000	31,000	-	-	8,488	(128,415)	25,000,000	100.00 %	77,945	None
Edison-Litek Opto Corporation Limited	5,500,000	110,917	-	-	-	-	(868)	(975)	5,500,000	44.58 %	109,074	None
Edison-Litek Opto Corporation	9,700,000	174,444	1,300,000	15,600	-	-	36,712	(36,853)	11,000,000	78.57 %	189,903	None
Edison-Egypt Opto Corporation	4,794,000	8,772	-	-	2,294,000	-	12,432	-	2,500,000	100.00 %	21,204	None
Total	96,424,000	\$ 1,837,597	4,400,000	46,600	2,294,000	-	94,298	(167,628)	98,530,000		1,810,867	

EDISON OPTO CORPORATION

Other non-current assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Account
Prepaid decoration	\$ 32,140
Refunable deposit	2,935
Total	<u>\$ 35,075</u>

## EDISON OPTO CORPORATION

## Short term borrowing

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Type	Description	Ending Balance	Contract Period	Range of Interest Rate	Loan Commitment	Collateral
Unsecured loans	CTBC Bank Co., Ltd	\$ <u><u>69,200</u></u>	2020.10.16~2021.1.15	0.98%	276,800	None

## Trade payables

Manufacturer	Amount
101231	\$ 26,011
100001	8,600
Others(less than 5%)	<u>9,327</u>
Total	\$ <u><u>43,938</u></u>

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

## EDISON OPTO CORPORATION

## Other payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense and bonus	\$ 24,245
Accrued expense-factory	17,866
Others(less than 5%)	<u>2,397</u>
Total	<u><u>\$ 44,508</u></u>

## Other current liabilities

<u>Item</u>	<u>Amount</u>
Advance payment	\$ 29,880
Provisions for Employee benefits	3,404
Others(less than 5%)	<u>671</u>
Total	<u><u>\$ 33,955</u></u>

## EDISON OPTO CORPORATION

## Long term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Range of Interest Rate</u>	<u>Loan Commitment</u>	<u>Loan Amount</u>
Real estate and plant long term secured	CTBC bank Co., Ltd	1.1966%~ 1.2011%	2021.1.18- 2041.1.18	\$ 306,860
Less: due within one year				(16,080)
Total				<u>\$ 290,780</u>

## Other non-current liabilities

<u>Item</u>	<u>Account</u>
Accrued pension liabilities	\$ 11,710
Others(less than 5%)	25
Total	<u>\$ 11,735</u>



**EDISON OPTO CORPORATION****Operating revenue****For the year ended December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Quantity(thousands)</b>	<b>Amount</b>
LED transmitter component	18,580	\$ 36,956
LED lighting component	859,441	305,318
LED lighting module and product	12,777	527,505
Others	282,120	89,535
Net revenue		<u><u>\$ 959,314</u></u>

## EDISON OPTO CORPORATION

## Operating costs

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Raw-material inventory, January 1	\$ 9,397
Add: Purchase	178,516
Less: Raw-material, December 31	(28,388)
Sales	<u>(116,350)</u>
Raw material used	<u>43,175</u>
Suppliers	
Suppliers, January 1	266
Add: Purchase of suppliers	780
Less: Suppliers, December 31	(231)
Sales	(105)
Transferred to expenses	<u>(13)</u>
Suppliers used	<u>697</u>
Manufacturing overhead	20,663
Manufacturing expenses	<u>37,529</u>
Manufacturing cost	102,064
Work in progress, January 1	7,186
Add : Purchase	1,916
Finish goods transfer in	18,763
Less : Work in process, December 31	(7,469)
Sales	(1,356)
Transferred to expenses	<u>(10,825)</u>
Manufacturing cost	110,279
Add : Finish goods, January 1	17,752
Purchase	572,497
Less : Finished goods, December 31	(20,386)
Transfer to work in progress	(18,763)
Transferred to expenses	<u>(177)</u>
Cost of sales — finished goods	661,202
Cost of sales — materials and suppliers and work in progress	117,811
Allowance to reduce inventory to market	(2,539)
Revenue from sale of scraps	(19)
Other operating cost	<u>11,987</u>
Operating cost	<u><u>\$ 788,442</u></u>

# EDISON OPTO CORPORATION

## Selling expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expense and bonus	\$ 27,434
Import and export expenses	3,479
Others(less than 5%)	<u>17,957</u>
Total	<u><u>\$ 48,870</u></u>

## Administrative expenses

<u>Item</u>	<u>Amount</u>
Payroll expense, bonus and compensations	\$ 45,517
Professional service fees	7,334
Depreciation	4,695
Others(less than 5%)	<u>18,690</u>
Total	<u><u>\$ 76,236</u></u>

**EDISON OPTO CORPORATION**  
**Statement of Research and Development Expense**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Account</u>
Payroll expense and bonus	\$ 14,448
Material expense	1,817
Depreciation Expense	2,522
Labor expense	1,448
Research and developement expense	1,453
Others(less than 5%)	<u>7,539</u>
Total	<u><u>\$ 29,227</u></u>

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

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

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

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

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

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

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

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