

**EDISON OPTO CORPORATION  
AND SUBSIDIARIES**

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

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of EDISON OPTO CORPORATION as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 , "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EDISON OPTO CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: EDISON OPTO CORPORATION

Chairman: Jason Wu

Date: February 24, 2022



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## Independent Auditors' Report

To the Board of Directors of Edison Opto Corporation:

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Edison Opto Corporation and subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### 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 Edison Opto Corporation in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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:

## 1. Impairment evaluation of accounts receivable

Please refer to Note 4(g) “Financial instruments”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(c) “Notes and accounts receivable”.

For the year ended December 31, 2021, the accounts receivable accounted for 11% 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.

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 Edison Opto Corporation and subsidiaries.

## 2.Revenue recognition

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

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

Our principal audit procedures included:

- Evaluate the Consolidated Company’s accounting policy of revenue recognition.
- Test the design and implementation of internal controls related with revenue recognition.
- A sample of the 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.

## Other Matter

Edison Opto Corporation has prepared its parent-company-only financial report for the year 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Limited'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 consolidated 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 and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Edison Opto Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Consolidated Company audit.

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**EDISON OPTO CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020			
		Amount	%	Amount	%		
Assets							
Current assets:							
11xx	Cash and cash equivalents (note 6(a))	\$	1,176,003	29	1,249,755	33	21xx
1100	Current financial assets at fair value through profit or loss (note 6(b))		1,582	-	-	-	2100
1110	Accounts and notes receivable, net (note 6(c)(u))		444,266	11	424,578	11	2170
1170	Other receivables		6,205	-	2,028	-	2200
1200	Inventories (note 6(f))		316,107	8	265,522	7	2230
1310	Prepayments		83,152	2	64,526	2	2280
1410	Other current assets (note 8)		127,268	3	131,671	3	2322
1470	Total current assets		2,154,583	53	2,138,080	56	2399
Non-current assets:							
15xx	Non-current financial assets at fair value through profit or loss (note 6(b)(m))		574	-	-	-	25xx
1510	Non-current financial assets at fair value through other comprehensive income (note 6(c))		-	-	131,960	4	2530
1517	Non-current financial assets at amortized cost (note 6(d))		8,720	-	-	-	2540
1535	Property, plant and equipment (notes 6(i), 8 and 9)		1,666,064	41	1,206,246	32	2570
1600	Right-of-use assets (note 6(j))		67,117	2	79,502	2	2580
1755	Intangible assets		4,559	-	3,757	-	2600
1780	Deferred tax assets (note 6(q))		60,488	1	61,753	2	
1840	Prepayments for business facilities (note 9)		22,335	1	5,318	-	
1915	Other non-current assets, others (note 6(i), 8 and 9)		62,313	2	137,637	4	
1990	Total non-current assets		1,892,170	47	1,626,173	44	
Equity attributable to owners of parent (notes 6(g)(r)(s)):							
	Capital stock						31xx
	Capital surplus						3100
	Legal reserve						3200
	Total unappropriated retained earnings						3310
	Exchange differences on translation of foreign financial statements						3350
	Unrealized gains (loss) on financial assets at fair value through other comprehensive income						3410
	Other equity, unearned compensation						3420
	Treasury shares						3491
	Total equity attributable to owners of parent:						3500
	Non-controlling interests (note 6(h))						36xx
	Total equity						
	Total liabilities and equity						

See accompanying notes to consolidated financial statements.

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(u))	\$ 2,105,864	100	1,901,238	100
5000	Operating costs (notes 6(f)(i)(j)(p))	<u>1,595,656</u>	<u>76</u>	<u>1,535,866</u>	<u>81</u>
	Gross profit from operations	<u>510,208</u>	<u>24</u>	<u>365,372</u>	<u>19</u>
	Operating expenses (note 6(e)(i)(j)(n)(p)(s)(v)):				
6100	Selling expenses	103,834	5	82,358	4
6200	Administrative expenses	160,495	7	150,617	8
6300	Research and development expenses	101,865	5	102,909	5
6450	Expected impairment loss (reversed)	<u>(6,059)</u>	<u>-</u>	<u>25,644</u>	<u>1</u>
	Total operating expenses	<u>360,135</u>	<u>17</u>	<u>361,528</u>	<u>18</u>
6900	Net operating income	<u>150,073</u>	<u>7</u>	<u>3,844</u>	<u>1</u>
	Non-operating income and expenses (note 6(h)(k)(l)(m)(n)(o)(w)):				
7100	Interest income	14,621	1	18,922	1
7010	Other income	9,535	-	24,537	1
7020	Other gains and losses	(11,303)	-	5,821	-
7050	Finance costs	<u>(19,945)</u>	<u>(1)</u>	<u>(9,398)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(7,092)</u>	<u>-</u>	<u>39,882</u>	<u>2</u>
7900	Profit from continuing operations before tax	142,981	7	43,726	3
7950	Less: Income tax expenses (note 6(q))	<u>15,236</u>	<u>1</u>	<u>10,903</u>	<u>1</u>
	Profit	<u>127,745</u>	<u>6</u>	<u>32,823</u>	<u>2</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(p))	360	-	6,257	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))	<u>(134,814)</u>	<u>(7)</u>	<u>28,354</u>	<u>1</u>
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(134,454)</u>	<u>(7)</u>	<u>34,611</u>	<u>1</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(7,841)	-	21,640	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(7,841)</u>	<u>-</u>	<u>21,640</u>	<u>1</u>
8300	Other comprehensive income	<u>(142,295)</u>	<u>(7)</u>	<u>56,251</u>	<u>2</u>
8500	Total comprehensive income	<u>\$ (14,550)</u>	<u>(1)</u>	<u>89,074</u>	<u>4</u>
	Profit (loss), attributable to:				
8610	Attributable to owners of parent	\$ 120,258	6	42,154	2
8620	Attributable to non-controlling interests	<u>7,487</u>	<u>-</u>	<u>(9,331)</u>	<u>-</u>
		<u>\$ 127,745</u>	<u>6</u>	<u>32,823</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Attributable to owners of parent	\$ (20,779)	(1)	98,658	5
8720	Attributable to non-controlling interests	<u>6,229</u>	<u>-</u>	<u>(9,584)</u>	<u>(1)</u>
		<u>\$ (14,550)</u>	<u>(1)</u>	<u>89,074</u>	<u>4</u>
	Earnings per share (note 6(t))				
9750	Basic earnings per share	<u>\$ 1.00</u>		<u>0.35</u>	
9850	Diluted earnings per share	<u>\$ 0.95</u>		<u>0.35</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Employees unrealized reward	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	\$ 1,250,014	1,841,558	701	6,313	(289,754)	(198,918)	(45,780)	(19,575)	(58,877)	2,485,682	112,806	2,598,488
<b>Balance at January 1, 2020</b>	-	-	(701)	-	701	-	-	-	-	-	-	-
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	(701)	(6,313)	7,014	-	-	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(6,313)	42,154	-	-	-	-	42,154	(9,331)	32,823
Net income	-	-	-	-	6,257	21,893	28,354	-	-	56,504	(253)	56,251
Other comprehensive income	-	-	-	-	48,411	21,893	28,354	-	-	98,658	(9,584)	89,074
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:												
Capital surplus used to offset accumulated deficits	-	(282,740)	-	-	282,740	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(12,300)	-	-	-	-	-	-	-	(12,300)	-	(12,300)
Purchase of treasury share	-	-	-	-	-	-	-	-	(19,832)	(19,832)	-	(19,832)
Retirement of treasury share	(16,180)	(3,652)	-	-	-	-	-	-	19,832	-	-	-
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(3,025)	(3,025)	-	(3,025)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	51	-	-	-	-	-	-	-	51	-	51
Changes in ownership interests in subsidiaries	-	14,381	-	-	-	-	-	-	-	14,381	(14,381)	-
Share-based payments	(8,270)	(3,721)	-	-	-	-	-	13,197	-	1,206	-	1,206
Balance at December 31, 2020	1,225,564	1,553,577	-	-	48,411	(177,025)	(17,426)	(6,378)	(61,902)	2,564,821	88,841	2,653,662
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	4,841	-	(4,841)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	4,841	-	(4,841)	-	-	-	-	(40,000)	-	(40,000)
Net income	-	-	-	-	120,258	-	-	-	-	120,258	7,487	127,745
Other comprehensive income	-	-	-	-	360	(6,583)	(134,814)	-	-	(141,037)	(1,258)	(142,295)
Total comprehensive income	-	-	-	-	120,618	(6,583)	(134,814)	-	-	(20,779)	6,229	(14,550)
Other changes in capital surplus:												
Due to recognition of equity component of convertible bonds issued	-	31,990	-	-	-	-	-	-	-	31,990	-	31,990
Conversion of convertible bonds	63,383	47,381	-	-	-	-	-	-	-	110,764	-	110,764
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	2,854	2,854	-	2,854
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	159	-	-	-	-	-	-	-	159	-	159
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	78	-	-	-	-	-	-	-	78	(2,548)	(2,470)
Changes in ownership interests in subsidiaries	-	(13,998)	-	-	-	-	-	-	-	(13,998)	51,130	37,132
Share-based payments	(330)	(149)	-	-	-	-	-	5,001	-	4,522	-	4,522
<b>Balance at December 31, 2021</b>	\$ 1,288,617	1,619,038	4,841	-	124,188	(183,608)	(152,240)	(1,377)	(59,048)	2,640,411	143,652	2,784,063

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 142,981	43,726
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	121,970	123,075
Amortization expense	2,344	2,495
Expected impairment loss (reversed)	(6,059)	25,644
Net loss on financial assets or liabilities at fair value through profit or loss	(6,295)	-
Interest expense	19,945	9,398
Interest income	(14,621)	(18,922)
Share-based payments	4,522	1,206
Gain on disposal of property, plant and equipment	(2,972)	(9,189)
Loss on disposal of intangible assets	-	144
Gain on disposal of other assets	(22)	-
<b>Total adjustments to reconcile profit</b>	<b>118,812</b>	<b>133,851</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts and notes receivable	(13,579)	(25,666)
Other receivables	(4,006)	(553)
Inventories	(50,585)	(20,808)
Prepayments	(14,161)	(14,223)
Other current assets	61	(3,842)
Other operating assets	(37)	(337)
Accounts and notes payable	(54,293)	50,167
Other payable	4,685	(30,476)
Other current liabilities	12,650	8,281
Net defined benefit liability	488	401
<b>Total changes in operating assets and liabilities</b>	<b>(118,777)</b>	<b>(37,056)</b>
Cash inflow generated from (used in) operations	143,016	140,521
Interest received	14,226	20,240
Interest paid	(11,705)	(9,389)
Income taxes	(18,539)	(1,477)
<b>Net cash flows from operating activities</b>	<b>126,998</b>	<b>149,895</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(8,788)	-
Acquisition of financial assets at fair value through profit or loss	(51,916)	-
Proceeds from disposal of financial assets at fair value through profit or loss	56,629	-
Acquisition of property, plant and equipment	(462,728)	(31,998)
Proceeds from disposal of property, plant and equipment	4,216	15,175
Increase in refundable deposits	(1,700)	(573)
Acquisition of intangible assets	(2,372)	-
Decrease in other financial assets	-	123,890
Increase in restricted deposits	-	(53,600)
Decrease in restricted deposits	4,342	-
Increase in other non-current assets	(31,501)	(111,934)
Increase in prepayments for business facilities	(21,938)	(4,756)
<b>Net cash flows used in investing activities</b>	<b>(515,756)</b>	<b>(63,796)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,423,571	1,919,977
Decrease in short-term loans	(1,692,986)	(1,719,760)
Proceeds from issuing bonds	297,503	-
Proceeds from long-term debt	321,600	-
Repayments of long-term debt	(14,740)	-
Increase in guarantee deposits received	3,402	-
Decrease in guarantee deposits received	-	(9)
Payment of lease liabilities	(14,059)	(12,498)
Cash dividends paid	(39,841)	(12,249)
Payments to acquire treasury shares	-	(19,832)
Acquisition of ownership interests in subsidiaries	(2,470)	-
Change in non-controlling interests	34,140	-
<b>Net cash flows from financing activities</b>	<b>316,120</b>	<b>155,629</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,114)</b>	<b>7,491</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(73,752)</b>	<b>249,219</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,249,755</b>	<b>1,000,536</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,176,003</b>	<b>1,249,755</b>

See accompanying notes to consolidated financial statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**EDISON OPTO CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

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

**(1) Company history**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on 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. (“FSC”) which have already been adopted.

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

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

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

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

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

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

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial) are assets measured at fair value;
- 3) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less the present value of the defined benefit obligation.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2021	December 31, 2020
The Company	Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
The Company	Ledison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
The Company	Best Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
The Company	Edison Fund Investment Corporation	Investment	100.00 %	100.00 %
The Company	Edison-Litek Opto Corporation Limited (note 1)	Investment	44.58 %	44.58 %
The Company	Edison-Litek Opto Corporation (note 4)	Business of opto-electronics	78.57 %	100.00 %
The Company	Edison-Egypt Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
Ledison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %
Best Opto Corporation	Best Led Corporation	Investment	100.00 %	100.00 %

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2021	December 31, 2020
Best Led Corporation	Yangzhou Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
Yangzhou Edison Opto Corporation	Yangzhou Aichuang Electronic Trade Corporation	Business of opto-electronics	100.00 %	100.00 %
Edison Fund Investment Corporation	Edison Opto USA Corporation	Business of opto-electronics	55.00 %	55.00 %
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Business of opto-electronics	100.00 %	51.00 %
Edison Fund Investment Corporation	Davinci Opto Corporation (note 2)	Business of opto-electronics	- %	100.00 %
Edison Fund Investment Corporation	Ledionopto intelligent Technology Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %
Ledionopto Intelligent Technology Co., Ltd. (note 5)	Led Plus Co., Ltd. (note 3)	Investment	- %	- %
Edison-Litek Opto Corporation Limited	Yangzhou Edison-Litek Opto Corporation	Business of opto-electronics	100.00 %	100.00 %
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited (note 1)	Investment	28.06 %	28.06 %

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

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

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

Note 4: Edison-Litek Opto Corporation issued 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%.

Note 5: In December 2021, the Company has been renamed from Ledionopto lightning, Inc. to Ledionopto Intelligent Technology Co., Ltd.

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

(Continued)

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

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group 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 those differences relating to the following, which are recognized in other comprehensive income:

1. 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 Group 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 Group 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.

(Continued)

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

(e) Assets and liabilities classified as current and non-current

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;
- (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 Group 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which 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.

(g) Financial instruments

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

(Continued)

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

(i) Financial assets

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

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

1) 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
- it is 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 Group 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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group'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.

#### 4) Impairment of financial assets

The Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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 Group in accordance with the contract and the cash flows that the Group 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 charge 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

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

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

Debt and equity instruments issued by the Group 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).

(Continued)

## **EDISON OPTO CORPORATION AND SUBSIDIARIES**

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

#### **4) Compound financial instruments**

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

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

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

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

#### **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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(Continued)

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on 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 existing 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.

(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 Group.

(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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Leases

(i) Identifying a lease

At inception of a contract, the Group 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.

(ii) As a lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- 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 Group's estimate of the amount expected to be payable under a residual value guarantee; 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 AND SUBSIDIARIES

### Notes to the Consolidated 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 Group 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 Group 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 Group 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, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (k) Intangible assets

##### (i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group 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, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### (iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, 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 reporting date and adjusted if appropriate.

(Continued)

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

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological 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. Goodwill is tested annually for impairment.

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 Group 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 Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells LED components. The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

2) The average credit term for sale of goods is 60 days to 90 days. It is consistent with industry practice. so it does not contain financing element.

(Continued)

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

The Group recognized accounts receivables while delivery, because the Group has the right to collect the consideration.

3) Financing components

The Group 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 group does not adjust any of the transaction prices for the time value of money

(n) Government grants and government assistance

The Company recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

(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 Group'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 Group, 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.

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 Group 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.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 Group 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. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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 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.

(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. The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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.

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.

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**EDISON OPTO CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group 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 Group 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.
- (r) Earnings per share

The Group 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.

(Continued)

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

(s) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made 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 significant effect on the amounts recognized in the consolidated financial statements is as follow:

(a) Fair value of financial instruments

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

(b) 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(d).

(Continued)

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

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

**(a) Cash and cash equivalents**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash	\$ 5,917	7,922
Demand Deposit	848,656	912,421
Time Deposit	321,430	329,412
	<b><u>\$ 1,176,003</u></b>	<b><u>1,249,755</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 equivalents.

Please refer to note 6(x) for interest rate risk and sensitive analysis of financial assets and financial liabilities for the Group.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current financial assets at fair value through profit or loss:		
Listed common shares—Domestic Companies	<b><u>\$ 1,582</u></b>	<b><u>-</u></b>
Non-current financial assets at fair value through profit or loss		
Convertible corporate bonds - call options	<b><u>\$ 574</u></b>	<b><u>-</u></b>

The above financial assets of the Group were not pledged.

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

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

(Continued)

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

The Group holds 15.39% of common shares of LEDLitek Co., Ltd, and the main operating activities of the Company are Sales car lighting module. The Group designated the investments shown above should recognize as fair value through other comprehensive income, because these investments were intended to be held for long-term strategic purposes. Since the Company incurred significant losses due to the operation of the company in 2021. The Group recognized an evaluation loss at fair value amounting to \$131,960 thousand as unrealized other comprehensive income (loss) from investments in equity instruments measured at fair value.

There were no disposed of investments for the years ended December 31, 2021 and 2020 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

The above financial assets of the Group were not pledged.

(d) Financial assets measured at amortized cost

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Government international bonds	\$ <u>8,720</u>	<u>-</u>

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

The above financial assets of the Group were not pledged.

(e) Notes and accounts receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ 10,856	23,068
Accounts receivable	450,951	433,748
Overdue receivable	10,615	2,027
Less: Loss allowance	<u>(28,156)</u>	<u>(34,265)</u>
	<u>\$ 444,266</u>	<u>424,578</u>

(Continued)

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

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

<b>December 31, 2021</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 434,833	0.03%	158
1 to 30 days past due	6,103	1.15%	70
31 to 90 days past due	3,867	8.00%	309
Past due over 180 days	17,004	100%	17,004
	<u><u>\$ 461,807</u></u>		<u><u>17,541</u></u>
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Past due over 180 days	<u><u>\$ 10,615</u></u>	100%	<u><u>10,615</u></u>
<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 412,255	0.38%	1,553
1 to 30 days past due	12,506	4.24%	530
31 to 90 days past due	437	10.30%	45
91 to 180 days past due	31,618	95.23%	30,110
	<u><u>\$ 456,816</u></u>		<u><u>32,238</u></u>
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Past due over 180 days	<u><u>\$ 2,027</u></u>	100%	<u><u>2,027</u></u>

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

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

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 34,265	62,522
Impairment losses recognized (reversed)	(6,059)	25,644
Amounts written off due to uncollectible this year	-	(54,051)
Net income (losses) on foreign exchange	(50)	150
Balance at December 31	<u><u>\$ 28,156</u></u>	<u><u>34,265</u></u>

Note and account receivables of the Group were not pledged.

(f) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 122,107	100,716
Supplies	3,232	3,084
Work in progress	88,945	70,037
Finished goods	101,823	91,685
	<u><u>\$ 316,107</u></u>	<u><u>265,522</u></u>

The details of the cost of sales were as follows:

	<b>2021</b>	<b>2020</b>
Inventory that has been sold	\$ 1,559,677	1,489,923
Write-down of inventories (gain on reversal)	(10,275)	8,849
Unallocated production overheads	46,254	37,094
	<u><u>\$ 1,595,656</u></u>	<u><u>1,535,866</u></u>

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

(g) Changes in ownership interests in subsidiaries

- (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 100.00% 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>

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# EDISON OPTO CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated 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>
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<b>\$ 14,381</b>

- (h) Material non-controlling interests of subsidiaries

<b>Subsidiaries</b>	<b>Main operation place</b>	<b>Parentage of non-controlling interests</b>	
		<b>December 31, 2021</b>	<b>December 31, 2020</b>
Edison-Litek Opto Corporation Limited	Hong Kong	27.36 %	27.36 %
Edison-Litek Opto Corporation	Taiwan	21.43 %	- %

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 221,137	260,583
Non-current assets	85,002	95,714
Current liabilities	(61,467)	(107,492)
Non-current liabilities	-	-
Net assets	<b>\$ 244,672</b>	<b>248,805</b>
Non-controlling interests	<b>\$ 66,943</b>	<b>68,073</b>
	<b>2021</b>	<b>2020</b>
Sales revenue	<b>\$ 237,233</b>	<b>224,219</b>
Net loss	\$ (1,947)	(28,835)
Other comprehensive income	(2,186)	15,638
Comprehensive income	<b>\$ (4,133)</b>	<b>(13,197)</b>
Profit, attributable to non-controlling interests	<b>\$ (533)</b>	<b>(10,388)</b>
Comprehensive income, attributable to non-controlling	<b>\$ (1,131)</b>	<b>(9,732)</b>

(Continued)

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

	<b>2021</b>	<b>2020</b>
Net cash flows from operating activities	\$ 10,382	(40,003)
Net cash flows from investing activities	13,540	(6,527)
Net cash flows from financing activities	(17,175)	53,399
Effect of exchange rate changes on cash and cash equivalents	2,864	2,117
Net increase in cash and cash equivalents	<u><u>\$ 9,611</u></u>	<u><u>8,986</u></u>

(ii) Edison-Litek Opto Corporation collective financial information

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 304,942	227,501
Non-current assets	110,788	96,670
Current liabilities	(174,886)	(146,062)
Non-current liabilities	-	(4,343)
Net assets	<u><u>\$ 240,844</u></u>	<u><u>173,766</u></u>
Non-controlling interests	<u><u>\$ 51,609</u></u>	<u><u>-</u></u>

	<b>2021</b>	<b>2020</b>
Sales revenue	<u><u>\$ 406,486</u></u>	<u><u>317,398</u></u>
Net income	\$ 37,259	32,445
Other comprehensive income	(614)	680
Comprehensive income	<u><u>\$ 36,645</u></u>	<u><u>33,125</u></u>
Profit, attributable to non-controlling interests	<u><u>\$ 540</u></u>	<u><u>-</u></u>
Comprehensive income, attributable to non-controlling	<u><u>\$ 479</u></u>	<u><u>-</u></u>

	<b>2021</b>	<b>2020</b>
Net cash flows from operating activities	\$ 33,477	32,397
Net cash flows from investing activities	(29,023)	(49,865)
Net cash flows from financing activities	46,961	33,348
Net increase in cash and cash equivalents	<u><u>\$ 51,415</u></u>	<u><u>15,880</u></u>

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

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or decked cost:						
Balance at January 1, 2021	\$ 260,051	815,073	1,229,332	38,871	204,881	2,548,208
Additions	351,073	78,386	26,190	80	6,999	462,728
Disposal	-	-	(79,125)	(436)	(3,574)	(83,135)
Reclassify	26,738	77,775	3,875	186	-	108,574
Effect of movements in exchange rates	-	(3,543)	(5,910)	(219)	(1,166)	(10,838)
Balance at December 31, 2021	<u>\$ 637,862</u>	<u>967,691</u>	<u>1,174,362</u>	<u>38,482</u>	<u>207,140</u>	<u>3,025,537</u>
Balance at January 1, 2020	\$ 260,051	803,349	1,367,864	38,611	214,443	2,684,318
Additions	-	1,731	26,197	224	3,846	31,998
Disposal	-	(3,230)	(205,962)	(554)	(16,346)	(226,092)
Reclassify	-	3,605	27,679	-	366	31,650
Effect of movements in exchange rates	-	9,618	13,554	590	2,572	26,334
Balance at December 31, 2020	<u>\$ 260,051</u>	<u>815,073</u>	<u>1,229,332</u>	<u>38,871</u>	<u>204,881</u>	<u>2,548,208</u>
Depreciation and impairments loss:						
Balance at January 1, 2021	\$ -	231,044	1,014,435	30,964	65,519	1,341,962
Depreciation	-	26,077	64,044	2,484	12,908	105,513
Disposal	-	-	(78,155)	(392)	(3,344)	(81,891)
Effect of movements in exchange rates	-	(429)	(4,830)	(138)	(714)	(6,111)
Balance at December 31, 2021	<u>\$ -</u>	<u>256,692</u>	<u>995,494</u>	<u>32,918</u>	<u>74,369</u>	<u>1,359,473</u>
Balance at January 1, 2020	\$ -	208,227	1,138,279	27,468	65,558	1,439,532
Depreciation	-	88,789	(2,940)	3,308	19,292	108,449
Disposal	-	(2,921)	(202,174)	(408)	(14,603)	(220,106)
Effect of movements in exchange rates	-	(63,051)	81,270	596	(4,728)	14,087
Balance at December 31, 2020	<u>\$ -</u>	<u>231,044</u>	<u>1,014,435</u>	<u>30,964</u>	<u>65,519</u>	<u>1,341,962</u>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 637,862</u>	<u>710,999</u>	<u>178,868</u>	<u>5,564</u>	<u>132,771</u>	<u>1,666,064</u>
Balance at January 1, 2020	<u>\$ 260,051</u>	<u>595,122</u>	<u>229,585</u>	<u>11,143</u>	<u>148,885</u>	<u>1,244,786</u>
Balance at December 31, 2020	<u>\$ 260,051</u>	<u>584,029</u>	<u>214,897</u>	<u>7,907</u>	<u>139,362</u>	<u>1,206,246</u>

(i) Guarantee

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

(Continued)

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

(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.

(j) Right-of-use assets

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

	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2021	\$ 32,468	57,424	-	5,821	95,713
Additions	-	3,874	-	1,134	5,008
Disposal	-	(1,612)	-	(582)	(2,194)
Effect of changes in foreign exchange rates	(192)	(328)	-	-	(520)
Balance at December 31, 2021	<u>\$ 32,276</u>	<u>59,358</u>	<u>-</u>	<u>6,373</u>	<u>98,007</u>
Balance at January 1, 2020	\$ 31,948	31,091	173	4,659	67,871
Additions	-	38,179	-	1,162	39,341
Disposals	-	(12,256)	(176)	-	(12,432)
Effect of changes in foreign exchange rates	520	410	3	-	933
Balance at December 31, 2020	<u>\$ 32,468</u>	<u>57,424</u>	<u>-</u>	<u>5,821</u>	<u>95,713</u>
<b>Accumulated depreciation:</b>					
Balance at January 1, 2021	\$ 1,712	12,264	-	2,235	16,211
Depreciation	852	13,723	-	1,882	16,457
Disposal	-	(1,544)	-	(146)	(1,690)
Effect of changes in foreign exchange rates	(11)	(77)	-	-	(88)
Balance at December 31, 2021	<u>\$ 2,553</u>	<u>24,366</u>	<u>-</u>	<u>3,971</u>	<u>30,890</u>
Balance at January 1, 2020	\$ 842	12,208	112	657	13,819
Depreciation	858	12,127	63	1,578	14,626
Disposals	-	(12,256)	(176)	-	(12,432)
Effect of changes in foreign exchange rates	12	185	1	-	198
Balance at December 31, 2020	<u>\$ 1,712</u>	<u>12,264</u>	<u>-</u>	<u>2,235</u>	<u>16,211</u>
<b>Carrying amount:</b>					
Balance at December 31, 2021	<u>\$ 29,723</u>	<u>34,992</u>	<u>-</u>	<u>2,402</u>	<u>67,117</u>
Balance at January 1, 2020	<u>\$ 31,106</u>	<u>18,883</u>	<u>61</u>	<u>4,002</u>	<u>54,052</u>
Balance at December 31, 2020	<u>\$ 30,756</u>	<u>45,160</u>	<u>-</u>	<u>3,586</u>	<u>79,502</u>

(Continued)

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

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured bank loans	\$ 145,005	141,853
Unsecured bank loans	69,451	340,499
Total	<b>\$ 214,456</b>	<b>482,352</b>
Unused short-term credit lines	<b>\$ 1,437,822</b>	<b>1,152,195</b>
Range of interest rates	<b>0.155%~1.0358%</b>	<b>0.16%~1.23%</b>

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

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

(l) Long-term borrowings

	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	TWD	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.

(m) 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>

(Continued)

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

Items	Third secured domestic convertible bonds
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%
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.</p> <p>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 29th 2021 that due to the allotment of cash dividends on the ordinary shares, the conversion price has been adjusted from NTD 19.1 since August 21st 2021.</p>
10. Pledge	For the collateral for bonds payable, please refer to note 8.

(Continued)

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

(n) Lease liability

The carrying values of the lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>16,117</u>	<u>11,916</u>
Non-current	\$ <u>25,173</u>	<u>39,229</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	\$ <u>6,316</u>	<u>4,162</u>
Expenses relating to short-term leases	\$ <u>1,296</u>	<u>2,298</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>282</u>	<u>219</u>

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

	2021	2020
Total cash outflow for leases	\$ <u>21,953</u>	<u>19,177</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(Continued)

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

(o) Deferred income

The agreement between Yangzhou Edison Opto Corporation and Yangzhou Land And Resources Bureau entitled right of land use of Yangzhou Economic Development Zone, from December, 2006 to December, 2056. The right of land use of CNY 9,788 thousand is subsidized by the Administrative Commission of Yangzhou Economic Development Zone, generating the long-term deferred revenue of CNY 9,393 thousand recognized under other non-current liabilities and is amortized for 50 years to recognize revenue. As of December 31, 2021 and December 31, 2020 the amount of unamortized deferred revenue was \$28,523 thousand and \$29,514 thousand, respectively.

(p) Employee benefits

(i) Defined benefit plans

The 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	<u>(8,635)</u>	<u>(9,536)</u>
	<b><u>\$ 11,710</u></b>	<b><u>11,582</u></b>

The Group 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 Group 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 Group's Bank of Taiwan labor pension reserve account amounted to \$8,635 thousand as of December 31, 2021. 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.

(Continued)

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

2) Movements in present value of the defined benefit obligations

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

	<u>2021</u>	<u>2020</u>
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 obligation	<u>(1,134)</u>	<u>(833)</u>
Defined benefit obligations at December 31	<u><u>\$ 20,345</u></u>	<u><u>21,118</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Consolidated 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 obligation	<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

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

	<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>
Operating cost	\$ 119	302
Operating expenses	<u>432</u>	<u>349</u>
	<u><u>\$ 551</u></u>	<u><u>651</u></u>

(Continued)

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

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

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

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

- 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 Consolidated 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)

(Continued)

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

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 contribution to the Bureau of the Labor Insurance amounted to \$19,767 thousand and \$8,378 thousand in 2021 and 2020.

(q) Income taxes

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 13,546	10,903
Tax effect of deductible temporary differences	7,897	-
Change in unrecognized deductible temporary differences	(932)	-
Recognition of unrecognized tax loss in prior periods	(5,275)	-
Income tax expense	<u>\$ 15,236</u>	<u>10,903</u>

(Continued)

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

Reconciliation of income tax and income before tax in 2021 and 2020, was as follows:

	<b>2021</b>	<b>2020</b>
Gain before income tax	<b>\$ 142,981</b>	<b>43,726</b>
Income tax using subsidiaries tax rate	\$ 28,596	8,745
Effect of tax rate in foreign jurisdiction	(1,273)	3,702
Tax-exempt income	(12,084)	6,706
Loss of investing foreign company	(7,479)	(2,004)
Unrecognized tax loss	9,161	(6,544)
Changes in unrecognized temporary differences	(2,709)	6,052
Investment credit	-	(1,647)
Basic income tax	541	-
Others	483	(4,107)
Total	<b>\$ 15,236</b>	<b>10,903</b>

(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 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Aggregated amount of temporary differences related to investment subsidiaries	<b>\$ 103,895</b>	<b>95,435</b>

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	\$ 86,210	101,875
Unrecognized tax loss	544,770	543,820
	<b>\$ 630,980</b>	<b>645,695</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 Consolidated Company can utilize the benefits therefrom.

(Continued)

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

3) Recognized deferred tax assets and liabilities

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

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

	<u>Equity investment</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities :</b>			
January 1, 2021	\$ 2,035	-	2,035
Recognized in profit or loss	<u>(878)</u>	<u>1,303</u>	<u>425</u>
December 31, 2021	<u>\$ 1,157</u>	<u>1,303</u>	<u>2,460</u>
December 31, 2020(as beginnings of year)	<u>\$ 2,035</u>	<u>109</u>	<u>2,144</u>

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>Unutilized business loss</u>							
<u>Year of loss</u>	<u>Edison Opto Corporation</u>	<u>Edison Fund Investment Corporation</u>	<u>Ledionopto Intelligent Technology Corporation</u>	<u>Edison-Egypt Opto Corporation</u>	<u>Edison Auto Lighting Corporation</u>	<u>Total</u>	<u>Expiry year</u>
2013	\$ -	82,096	-	-	-	82,096	2023
2014	79,911	-	4,454	-	-	84,365	2024
2015	75,078	2,451	22,384	-	-	99,913	2025
2016	93,672	-	-	-	-	93,672	2026
2017	90,158	-	16,630	-	-	106,788	2027
2018	47,537	123,117	14,670	80	-	185,404	2028
2019	28,818	66,135	316	5,810	197	101,276	2029
2020	-	171	53,303	5,927	4,522	63,923	2030
2021	<u>-</u>	<u>4,043</u>	<u>175</u>	<u>-</u>	<u>1,260</u>	<u>5,478</u>	2031
	<u>\$ 415,174</u>	<u>278,013</u>	<u>111,932</u>	<u>11,817</u>	<u>5,979</u>	<u>822,915</u>	

(Continued)

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

(iii) Assessment of tax

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

(r) 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.

(in thousands of shares)	<b>Ordinary shares</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Balance on January 1	122,556	125,001
Converting corporate bonds	6,339	-
Retirement of treasury stocks	-	(1,618)
Retirement of restricted stocks	(33)	(827)
Balance on December 31	<b>128,862</b>	<b>122,556</b>

(i) Issuance and cancellation of 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.

(ii) Capital surplus

The balances of capital surplus were as follows:

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

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## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

The dividend policy of the Company is coordinated with the share capital, financial structure, operating status, future development plan, fund requirements, competitions, shareholders' benefits, etc. by distributing no less than 60% of the distributable earnings every year. Nonetheless, when the distributable earnings are lower than 20% of the common stock outstanding, no distribution shall be made during the year. Dividends may be distributed either by cash or by share. However, if the dividends are to be distributed in cash, it shall be no less than 10% of the total dividends issued.

#### 1) 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.

(Continued)

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

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 December 31, 2021 and 2020 were \$6,796 thousand and \$9,650 thousand, respectively. As of December 31, 2021, all treasury shares 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.

(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	479
Balance at December 31, 2021	<u>\$ (183,608)</u>	<u>(152,240)</u>	<u>(1,377)</u>	<u>(337,225)</u>

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

	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 translation of foreign financial statements	21,893	-	-	21,893
Unrealized loss of 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>

(s) Share-based payment

(i) Restricted stocks

- 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 four 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.

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

	<b>For the three months ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
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>

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

- (ii) Expense recognized in profit or loss

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Expenses resulting from restriction of employee stock options	\$ <u><u>4,522</u></u>	<u><u>1,206</u></u>

- (t) Earnings per share

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Basic earnings per share</b>		
Profit of the Company for the year	\$ <u><u>120,258</u></u>	<u><u>42,154</u></u>
Weighted average number of ordinary shares (in thousands of shares)	<u><u>120,537</u></u>	<u><u>119,058</u></u>
Basic earnings per share	\$ <u><u>1.00</u></u>	<u><u>0.35</u></u>
<b>Diluted earnings per share</b>		
Profit of the Company for the year	\$ 120,258	42,154
Effect of dilutive potential ordinary share	<u>6,613</u>	<u>-</u>
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinary share)	\$ <u><u>126,871</u></u>	<u><u>42,154</u></u>
Weighted average number of ordinary shares (in thousands of shares)	120,537	119,058
Effect of employee share bonus (in thousands of shares)	296	140
Effect of convertible bonds (in thousands of shares)	11,965	-
Effect of restricted employee shares unrested (in thousands of shares)	<u>871</u>	<u>1,589</u>
Weighted average number of ordinary shares (in thousands of shares)	<u><u>133,669</u></u>	<u><u>120,787</u></u>
Diluted earnings per share (in New Taiwan Dollars)	\$ <u><u>0.95</u></u>	<u><u>0.35</u></u>

(Continued)

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

(u) Revenue from contracts with customers

(i) Revenue detail

		2021					
		The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other
		Total					
Major market							
China	\$	75,504	380,695	290,231	42,023	-	7,559
America and Europe		275,512	-	-	1,352	394,652	132,691
Taiwan		175,394	-	-	-	5,950	949
Africa		30,276	-	-	-	-	1,257
Others		266,470	1,537	3,605	-	4,002	16,205
	\$	<u>823,156</u>	<u>382,232</u>	<u>293,836</u>	<u>43,375</u>	<u>404,604</u>	<u>158,661</u>
Major product:							
LED transmitter component	\$	36,955	182,337	-	-	-	-
LED lighting component		261,668	11,829	230,750	-	-	41,334
LED lighting module and product		494,111	167,938	52,061	-	-	98,883
Automotive LED lighting module		-	-	-	42,983	400,602	18,315
Others		30,422	20,128	11,025	392	4,002	129
	\$	<u>823,156</u>	<u>382,232</u>	<u>293,836</u>	<u>43,375</u>	<u>404,604</u>	<u>158,661</u>
		2020					
		The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other
		Total					
Major market							
China	\$	55,139	333,671	269,985	52,706	-	3,429
America and Europe		192,207	-	-	2,583	293,828	102,729
Taiwan		98,395	-	-	-	625	573
Africa		154,401	-	-	-	-	17,789
Others		280,150	8,245	336	17	22,182	12,248
	\$	<u>780,292</u>	<u>341,916</u>	<u>270,321</u>	<u>55,306</u>	<u>316,635</u>	<u>136,768</u>
Major product:							
LED transmitter component	\$	35,217	189,064	-	-	-	-
LED lighting component		269,977	9,111	221,882	-	-	24,701
LED lighting module and product		464,950	141,997	40,098	-	-	86,034
Automotive LED lighting module		-	-	-	54,351	316,037	23,861
Others		10,148	1,744	8,341	955	598	2,172
	\$	<u>780,292</u>	<u>341,916</u>	<u>270,321</u>	<u>55,306</u>	<u>316,635</u>	<u>136,768</u>

(Continued)

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

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Note receivables	\$ 10,856	23,068
Accounts receivables	450,951	433,748
Less: Loss allowance	(17,541)	(32,238)
Total	<b>\$ 444,266</b>	<b>424,578</b>

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

(v) 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 abovementioned 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.

(w) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 7,304	7,754
Other interest income	7,317	11,168
	<b>\$ 14,621</b>	<b>18,922</b>

(Continued)

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

(ii) Other income

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Other income-others	\$ <u>9,535</u>	<u>24,537</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net gain on disposal of Property, plant, and equipment	\$ 2,972	9,189
Net gain on financial assets at fair value	6,295	-
Net losses on foreign exchange	(8,052)	(566)
Others	<u>(12,518)</u>	<u>(2,802)</u>
	<u>\$ (11,303)</u>	<u>5,821</u>

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest expenses	\$ <u>19,945</u>	<u>9,398</u>

(x) 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

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

(Continued)

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

3) Receivable

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

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

(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	\$ 451,865	(487,200)	(155,018)	(9,812)	(19,470)	(57,256)	(245,644)
Unsecured short term loans	69,451	(69,605)	(69,605)	-	-	-	-
Lease liabilities	41,290	(50,081)	(10,376)	(10,218)	(12,616)	(16,871)	-
Notes payable and accounts payable	315,614	(315,614)	(315,614)	-	-	-	-
Other payable	111,795	(111,795)	(111,795)	-	-	-	-
Bonds payable	163,588	(177,800)	-	-	-	(177,800)	-
	<u><u>\$ 1,153,603</u></u>	<u><u>(1,212,095)</u></u>	<u><u>(662,408)</u></u>	<u><u>(20,030)</u></u>	<u><u>(32,086)</u></u>	<u><u>(251,927)</u></u>	<u><u>(245,644)</u></u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Secured short term loans	\$ 161,853	(161,999)	(161,999)	-	-	-	-
Unsecured short term loans	320,499	(320,622)	(320,622)	-	-	-	-
Lease liabilities	51,145	(65,684)	(9,663)	(9,204)	(18,051)	(28,766)	-
Notes payable and accounts Payable	369,907	(369,907)	(369,907)	-	-	-	-
Other payable	110,128	(110,128)	(110,128)	-	-	-	-
	<u><u>\$ 1,013,532</u></u>	<u><u>(1,028,340)</u></u>	<u><u>(972,319)</u></u>	<u><u>(9,204)</u></u>	<u><u>(18,051)</u></u>	<u><u>(28,766)</u></u>	<u><u>-</u></u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	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	\$ 11,161	USD/TWD= 27.6800	308,936	6,769	USD/TWD= 28.4800	192,781
USD	10,264	USD/CNY= 6.5757	284,272	4,448	USD/CNY= 6.5249	126,679
CNY	31,420	CNY/TWD= 4.3440	136,488	28,045	CNY/TWD= 4.3770	122,753
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	15,932	USD/TWD= 27.6800	440,988	15,722	USD/TWD= 28.4800	447,763
USD	2,709	USD/CNY= 6.3757	75,029	3,424	USD/CNY= 6.5249	97,516
CNY	2	CNY/TWD= 4.3440	9	129	CNY/TWD= 4.3770	565

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income, loans and borrowings; and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the TWD against the USD and CNY as at December 31, 2021 and 2020 would have increased (decreased) the equity by \$10,684 thousand and \$(5,182) thousand due to cash flow hedges. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

Since the Consolidated Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange loss (including realized and unrealized portions) amounted to \$(8,052) thousand and \$(566) thousand, respectively.

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

(iv) Fair value of financial instruments

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

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss-current-securities of listed companies	\$ 1,582	1,582	-	-	1,582
Financial assets at fair value through profit or loss-non current-Embedded derivative of convertible bonds	\$ 574	-	574	-	574
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,176,003	-	-	-	-
Notes and trade receivables	444,266	-	-	-	-
Other receivables	6,205	-	-	-	-
Corporate bonds	8,720	-	-	-	-
Subtotal	1,635,194	-	-	-	-
Total	<u>\$ 1,637,350</u>	<u>1,582</u>	<u>574</u>	<u>-</u>	<u>2,156</u>
Financial liabilities at amortized cost					
Short-term bank loans	\$ 214,456	-	-	-	-
Long-term bank loans (included due within one year)	306,860	-	-	-	-
Notes and trade payables	315,614	-	-	-	-
Other payables	111,795	-	-	-	-
Bonds payables	163,588	-	-	-	-
Lease liabilities	41,290	-	-	-	-
Total	<u>\$ 1,153,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

		December 31, 2020				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income-securities of unlisted companies	\$	<u>131,960</u>	<u>-</u>	<u>-</u>	<u>131,960</u>	<u>131,960</u>
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,249,755	-	-	-	-
Notes and trade receivables		424,578	-	-	-	-
Other receivables		2,028	-	-	-	-
Subtotal		<u>1,676,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$	<u>1,808,321</u>	<u>-</u>	<u>-</u>	<u>131,960</u>	<u>131,960</u>
Financial liabilities at amortized cost						
Bank loans	\$	482,352	-	-	-	-
Notes and trade payables		369,907	-	-	-	-
Other payables		110,128	-	-	-	-
Lease liabilities		51,145	-	-	-	-
Total	\$	<u>1,013,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
January 1, 2021	\$ 131,960
Total gains and losses recognized:	
In other comprehensive income	(131,960)
December 31, 2021	\$ -
January 1, 2020	\$ 106,631
Total gains and losses recognized:	
In other comprehensive income	25,329
December 31, 2020	\$ <u>131,960</u>

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

For the years ended December 31, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total gains and losses recognized:		
In other comprehensive income, and presented \$ in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(131,960)	25,329

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

	Input	Change	Recognized in other comprehensive income	
			Favorable change	Unfavorable change
<b>December 31, 2021</b>				
Financial assets fair value through other comprehensive income	1.76	1%	219	(219)
<b>December 31, 2020</b>				
Financial assets fair value through other comprehensive income	2.28	1%	1,320	(1,320)

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

(y) Financial risk management

(i) Overview

The Consolidated 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 Consolidated Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated 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 Consolidated Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated 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 Consolidated Company's activities. the Consolidated 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 Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers and investments in debt securities.

As the Consolidated Company has a large number of Consolidated 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 Consolidated Company finance department. As a result of the Consolidated 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 Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated 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 Consolidated 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.

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

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

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

The monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the Consolidated 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 Consolidated Company do not use derivative financial assets for hedging.

2) Interest rate risk

The borrowing of the Consolidated 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 Consolidated 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 Consolidated Company did not sign a commodity contract.

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

(z) Capital management

The Group'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 Group 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 Group 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 Group'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	\$ 1,262,690	1,110,591
Less: cash and cash equivalents	<u>(1,176,003)</u>	<u>(1,249,755)</u>
Net debt	<b><u>\$ 86,687</u></b>	<b><u>(139,164)</u></b>
Total equity	\$ 2,784,063	2,653,662
Less: hedging reserve	<u>-</u>	<u>-</u>
Adjusted equity	<b><u>\$ 2,784,063</u></b>	<b><u>2,653,662</u></b>
Debt-to-equity ratio	<b><u>3.17 %</u></b>	<b><u>- %</u></b>

(aa) Financing activities not affecting current cash flow

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

	<b>January 1, 2021</b>	<b>Cash Flows</b>	<b>Non-cash changes</b>				<b>December 31, 2021</b>
			<b>Foreign exchange movement</b>	<b>Changes in lease payments</b>	<b>Discount and premium amortization</b>	<b>Conversion options</b>	
Short-term borrowings	\$ 482,352	(269,415)	1,519	-	-	-	214,456
Lease liabilities	51,145	(20,375)	(338)	10,858	-	-	41,290
Long-term borrowings (including current portion)	-	306,860	-	-	-	-	306,860
Bonds payable	-	303,000	-	-	(17,212)	(122,200)	163,588
Total liabilities from financing activities	<b><u>\$ 533,497</u></b>	<b><u>320,070</u></b>	<b><u>1,181</u></b>	<b><u>10,858</u></b>	<b><u>(17,212)</u></b>	<b><u>(122,200)</u></b>	<b><u>726,194</u></b>

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

	January 1, 2020	Cash Flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Changes in lease payments	
Short-term borrowings	\$ 283,395	200,217	(1,260)	-	482,352
Lease liabilities	24,315	(12,498)	(13)	39,341	51,145
Total liabilities from financing activities	<u>\$ 307,710</u>	<u>187,719</u>	<u>(1,273)</u>	<u>39,341</u>	<u>533,497</u>

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

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Guarantee

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 30,445	34,848
Post employment benefits	766	732
Share-based payments	1,554	273
	<u>\$ 32,765</u>	<u>35,853</u>

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

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

**(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 current assets)	The guarantee letter of credit	\$ 12,259	17,312
Deposits (classified under current assets)	Tender deposit (note)	20,000	-
Deposits (classified under current assets)	Short-term loans	94,987	114,278
Deposits (classified under non-current assets)	Deposit to customs	10,376	8,179
Property, plant, and equipment	Guarantee of Corporate Bonds	199,931	202,015
Property, plant, and equipment	Long-term loans	529,083	-
		<u>\$ 866,636</u>	<u>341,784</u>

note: please refer to note 9 for further explanations.

**(9) Commitments and contingencies:**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 32,639</u>	<u>429,869</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.

(Continued)

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

**(12) Other:**

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

By item	By function	For the years ended December 31,					
		2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		154,798	156,642	311,440	152,708	145,422	298,130
Labor and health insurance		8,975	10,728	19,703	7,825	9,702	17,527
Pension		11,821	8,497	20,318	3,991	5,038	9,029
Directors' remuneration		-	2,457	2,457	-	924	924
Others		16,183	8,955	25,138	15,367	8,865	24,232
Depreciation		89,617	32,353	121,970	95,184	27,891	123,075
Amortization		52	2,292	2,344	140	2,355	2,495

**(13) Other disclosures:**

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	26,318 (CNY6,000 thousand)	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	475,525
3	Edison-litek Opto Corporation Limited	Edison-litek Opto Corporation	Other receivable 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 of Directors.

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

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

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

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

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Edison Fund Investment Corporation	Everlight Electronics Co., Ltd.	NO	Current financial assets at fair value through profit or loss	30	1,582	- %	1,582	- %	
Edison Fund Investment Corporation	Taipei Fubon Bank-Qatar Government International Bonds	NO	Financial assets measured at amortized cost-current	-	8,720	- %	8,720	- %	
Edison Fund Investment Corporation	LED Litek Co., Ltd.	NO	Financial assets through other fair value measurements-non-current	124	-	15.39 %	-	15.39 %	

- (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 Communications 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	-	-

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Taiwan Tech. Square 17F	2020.11	536,000	536,000	Telin Construction Group	Non-related				-	Appraisal of real estate	Group operating demand	None

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

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Edison Opto (Dong Guan) Co., Ltd.	The Company	Parents	Sales	(254,343)	(42.46)%	60 days	No significant difference	-	7,183	7.49 %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	254,343	31.24 %	60 days	No significant difference	-	(7,183)	(4.14)%	
Yangzhou Edison Opto Corporation	The Company	Parent Company	Sales	(329,985)	(49.05)%	60 days	No significant difference	-	106,686	61.19 %	
The Company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	329,985	40.53 %	60 days	No significant difference	-	(106,686)	(47.75)%	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Sub-subsidiary	Sales	(193,857)	(81.72)%	60 days	No significant difference	-	34,694	56.31 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Sub-subsidiary	Purchase	193,857	69.46 %	60 days	No significant difference	-	(34,694)	(59.07)%	

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
Yangzhou Edison Opto Corporation	The Company	Sub-subsidiary company	106,686 (USD3,854 thousand)	5.07	-		86,956 (USD 3,141 thousand)	-

Note 1: As of February 10, 2022.

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

- (ix) Trading in derivative instruments: None

- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Yangzhou Edison Opto Corporation	1	Sales	26,604	60 days	1.26%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Accounts receivable	54,118	60 days	12.57%
0	The Company	Edison Opto USA Corporation	1	Accounts receivable	51,563	60 days	2.45%
0	The Company	Edison- Opto USA Corpotation	1	Accounts receivable	8,045	60 days	0.20%
1	Yangzhou Edison Opto Corporation	The Company	2	Sales	329,985	90 days	15.71%
1	Yangzhou Edison Opto Corporation	The Company	2	Accounts receivable	106,686	90 days	2.63%

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Sales	47,579	90 days	2.26%
1	Yangzhou Edison Opto Corporation	Edison-Egypt Opto Corporation	3	Accounts receivable	15,234	90 days	0.38%
1	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Sales	24,241	90 days	1.15%
1	Yangzhou Edison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	3	Accounts receivable	18,401	90 days	0.45%
2	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Sales	254,343	90 days	12.13%
3	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Accounts receivable	7,183	90 days	0.18%
3	Yangzhou Edison-Litek Opto Corporation	Edison Litek Opto Corporation	3	Sales	193,857	90 days	9.21%
3	Yangzhou Edison-Litek Opto Corporation	Edison Litek Opto Corporation	3	Accounts receivable	34,694	90 days	0.86%
4	Edison Opto Corporation	The Company	2	Accounts receivable	11,109	90 days	0.27%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

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

(a) 1 represents parent to subsidiary

(b) 2 represents subsidiary to parent

(c) 3 represents subsidiary to subsidiary

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

#### (b) Information on investees:

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

(In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	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	100.00 %	(140)	(140)	-
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	229,348	100.00 %	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	100.00 %	29,214	27,249	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	655,000	25,000	100.00 %	77,945	100.00 %	8,647	8,488	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	109,074	61.80 %	(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	100.00 %	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	100.00 %	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	100.00 %	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	55.00 %	16,710	9,191	-

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	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				
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	100.00 %	(4,221)	(4,221)	-
Edison Fund Investment Corporation	Davinci Opto Corporation (Note 1)	Taiwan	Selling of LED components and modules	-	5,000	-	- %	-	100.00 %	-	-	-
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	100.00 %	(1,260)	(1,221)	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hongkong	Investment	33,187	33,187	3,463	28.06 %	68,654	28.06 %	(1,948)	(547)	-

Note 1: The dissolution of Company has registered in February, 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	145,991 (USD 4,500 thousand)	( b )	111,408 (USD 3,317 thousand)	-	-	111,408 (USD 3,317 thousand)	10,957 (USD 391 thousand)	100.00%	100.00 %	10,957 (USD 391 thousand)	235,521 (USD 8,509 thousand)	34,583 (USD 34,583 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	( b )	52,255 (USD 1,714 thousand)	-	-	52,255 (USD 1,714 thousand)	-	-%	100.00 %	-	-	-
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	1,550,826 (USD 50,000 thousand)	( b )	1,550,826 (USD 50,000 thousand)	-	-	1,550,826 (USD 50,000 thousand)	29,214 (USD 1,043 thousand)	100.00%	100.00 %	29,214 (USD 1,043 thousand)	1,188,812 (USD 42,948 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	2,148 (RMB 500 thousand)	( c )	-	-	-	-	40 (RMB 9 thousand)	100.00%	100.00 %	40 (RMB 9 thousand)	2,233 (RMB 514 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	270,552 (USD 8,875 thousand)	( b )	167,661 (USD 5,500 thousand)	-	-	167,661 (USD 5,500 thousand)	(2,241) (USD 80 thousand)	72.64%	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
  1. Edison Opto (Dong Guan) Co., Ltd. is indirectly invested by the company through Ledion Opto Corporation.
  2. Dong Guan Davinci Opto Corporation is indirectly invested by Ledion Opto Lighting Inc. through Led Plus Limited.
  3. Yangzhou Edison Opto Corporation is indirectly invested by Best Opto Corporation and Best Led Corporation.
  4. Yangzhou Edison-Litek Opto Corporation is indirectly invested by the Company and Edison-Litek Opto Corporation Limited.
- (c) Others
  1. Yangzhou Aichuan Trade Corporation is 100% invested by Yangzhou Edison Opto Corporation.

Note 2: The dissolution has registered in 2020.

(Continued)

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

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of 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 USD1,714 thousand had been included in the accumulated investment amount.

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

(iii) Significant transactions:

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

(d) Major shareholders:

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

(Continued)

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

**(14) Segment information:**

**(a) General information**

The Company uses the income from operations as the measurement for segment profit and the basis of performance assessment. The Consolidated Company has six reportable segments, which are respectively the Company, Edison Opto (Dong Guan) Co., Ltd., Yangzhou Edison Opto Corporation, Yangzhou Edison-Litek Opto Corporation, Edison-Litek Opto Corporation and other subsidiaries. The Company engages mainly in the research, manufacturing, and selling of the LED components and modules, and lightning transmitter; Edison Opto (Dong Guan) Co., Ltd. engages mainly in the manufacturing and selling of the lightning transmitter; Yangzhou Edison Opto Corporation mainly engages in selling and manufacturing of LED components and modules; Yangzhou Edison-Litek Opto Corporation mainly engages in selling and manufacturing of lightning devices for vehicle.

The reportable segments are the Consolidated Company's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Consolidated Company.

**(b) Information about reportable segments and their measurement and reconciliations**

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before of taxation, but not includes any extraordinary activity and foreign exchange gain or losses because of taxation, extraordinary activity, and foreign exchange gain or losses are managed on a Consolidated Company basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis.

The Consolidated Company treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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

	For the years ended December 31, 2021							
	<u>The Company</u>	<u>Edison Opto (Dong Guan) Co., Ltd.</u>	<u>Yangzhou Edison Opto Corporation</u>	<u>Yangzhou Edison-Litek Opto Corporation</u>	<u>Edison-Litek Opto Corporation</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenues:								
Revenue from external customers	\$ 823,156	382,232	293,836	43,375	404,604	158,661	-	2,105,864
Intersegment revenues	<u>136,158</u>	<u>312,866</u>	<u>427,965</u>	<u>193,858</u>	<u>1,882</u>	<u>8,908</u>	<u>(1,081,637)</u>	<u>-</u>
Total revenue	<u>\$ 959,314</u>	<u>695,098</u>	<u>721,801</u>	<u>237,233</u>	<u>406,486</u>	<u>167,569</u>	<u>(1,081,637)</u>	<u>2,105,864</u>
Reportable segment profit or loss	<u>\$ 121,948</u>	<u>9,381</u>	<u>28,566</u>	<u>(1,947)</u>	<u>46,352</u>	<u>33,792</u>	<u>(95,111)</u>	<u>142,981</u>

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	For the years ended December 31, 2020							
	<u>The Company</u>	<u>Edison Opto (Dong Guan) Co., Ltd.</u>	<u>Yangzhou Edison Opto Corporation</u>	<u>Yangzhou Edison-Litek Opto Corporation</u>	<u>Edison-Litek Opto Corporation</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenues:								
Revenue from external customers	\$ 780,292	341,916	270,321	55,306	316,635	136,768	-	1,901,238
Intersegment revenues	137,693	188,878	444,409	168,912	763	-	(940,655)	-
Total revenue	<u>\$ 917,985</u>	<u>530,794</u>	<u>714,730</u>	<u>224,218</u>	<u>317,398</u>	<u>136,768</u>	<u>(940,655)</u>	<u>1,901,238</u>
Reportable segment profit or loss	<u>\$ 42,154</u>	<u>23,327</u>	<u>8,164</u>	<u>(28,531)</u>	<u>39,482</u>	<u>(24,971)</u>	<u>(15,899)</u>	<u>43,726</u>

Note: The eliminated amount among reportable segments for the year ended December 31, 2021 and 2020 were \$1,081,637 and \$940,655 respectively.

(c) Product and service information

For revenue from the external customers of the Consolidated Company please refer to note 6(u).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers in the note 6(u) and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
China	\$ 804,786	875,252
Taiwan	1,007,155	548,850
Other countries	<u>72</u>	<u>179</u>
Total	<u>\$ 1,812,013</u>	<u>1,424,281</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, rental prepayment, and other assets, not including financial instruments, deferred tax assets, and other non-current assets.

(e) Major customers

As of December 31, 2021 and 2020, the customer contributing 10% or higher of Consolidated Company's revenue.

	<u>2021</u>	<u>2020</u>
Customer 104304	<u>\$ 387,361</u>	<u>284,017</u>