

Stock Code: 3591



# **Edison Opto Corporation**

## **2021 Annual Report**

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**Website: [www.edison-opto.com](http://www.edison-opto.com)**

**Market Observation Post System: <https://mops.twse.com.tw>**

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**VI. Company Website: <http://www.edison-opto.com>**

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## I. Letter to Shareholders

Dear shareholders:

In 2021, the coverage rate of the COVID-19 vaccine had gradually increased, while the pandemic has gradually developed into a flu-like illness. Although the economy has continued to recover, it still faces supply chain bottlenecks, inflation, exchange rate risks and geopolitical issues in the post-pandemic era, all of which are indirectly affecting economic growth. We have continued to transform our business into the development of finished lighting modules and automotive modules, reducing orders for low-margin components and increasing the proportion of sales of high-margin products. Our consolidated revenue was NT\$2.11 billion, up 11% from the previous year. Through changes in product combinations and control of production costs, our gross margin increased significantly by 5% from the previous year. In addition, due to the impact of the pandemic in both years, we reduced our exhibition and travel costs, and our operating expenses in both periods were comparable. As a result of a significant increase in the gross operating profit, the net operating profit and after-tax net profit also increased significantly compared to the previous year.

Due to the fierce competition in the LED industry, we have continued to shift our areas of development to high-end commercial lighting, automotive lighting and special lighting for plant, seeking to build a differentiated business model from other competitors and adjust quickly with market changes to avoid the red ocean of price competition and maximize the interests of all shareholders. The following is a summary of the 2021 Business Report and the 2022 Business Plan:

### i. 2020 Consolidated Business Report

#### 1. Results of implementation of the business plan

- (1) Regarding the consolidated operating revenue, our consolidated net operating revenue in 2021 was NT\$2,105,864,000, an increase of NT\$204,626,000 from NT\$1,901,238,000 in 2020.
- (2) Regarding the consolidated operating profit/loss, our consolidated net operating profit in 2021 was NT\$150,073,000, an increase of NT\$146,229,000 from the consolidated net operating profit of NT\$3,844,000 in 2020.
- (3) Regarding the consolidated net after-tax profit, our consolidated net after-tax profit (including non-controlling interests) in 2021 was \$127,745,000, an increase of \$94,922,000 from the consolidated net after-tax profit of \$32,823,000 in 2020.

#### 2. Implementation of budget

We have not published any financial forecast for 2021, so no disclosure of any information of such implementation is required.

#### 3. Analysis of financial revenue and expenditure and profitability (consolidated companies)

Item		2021	2020
Financial structure	Liabilities to assets ratio (%)	31.20	29.50
	Long-term funds to property, plant and equipment ratio (%)	198.66	226.82

Profitability	Return on assets (%)		3.68	1.12
	Return on equity (%)		4.70	1.25
	As a percentage of paid-in capital (%)	Net operating profit	11.65	0.31
		Net pre-tax profit	11.10	3.57
	Net profit margin (%)		6.07	1.73
	Earnings per share (NT\$)		1.00	0.35

#### 4. Research and development

In 2021, the consolidated companies spent \$101,865,000 on research and development, a decrease of \$1,044,000 from 2020, mainly due to higher development costs in the expenditure of 2019 for automotive lighting and for the early stage of new products, and the decrease of various expenses from 2020 to 2021 due to the impact of the pandemic. Nonetheless, the proportion of the research and development expenses has remained above 5% of the consolidated revenue. We have focused on the research and development of lighting and automotive products and the improvement of packaging technology. Our professional R&D team has accumulated strong technical experience and obtained a number of domestic and foreign patents from components to modules. We have continued to develop LED components with high cost-performance ratio, AC module smart lighting systems, long term energy saving street light modules and automotive LED component modules to meet the market demands and in line with the future direction.

#### ii. Summary of the 2022 Business Plan

With the continued expansion of LED lighting applications and the entry of competitors, we are moving from LED components to customer-driven modules and finished product services, and actively expanding other LED applications such as plant lighting, medical lighting, interconnect lighting, and automotive lighting. According to TrendForce's Photonics Research, as vaccines become more prevalent in various countries and the market and economy begin to recover, the demand for LED general lighting market has significantly rebounded, with the size of the global LED lighting market reaching US\$38.199 billion in 2021 at an annual growth rate of 9.5%. With the support of energy saving and emission reduction policies in countries around the world, LED energy saving retrofit projects are gradually launched to achieve the goal of "carbon neutrality," and the penetration rate of LED lighting has been increasing to 57% in 2021. Driven by the trend of energy saving and sustainability, the global sales and market share of electric vehicles continue to rise, and major automakers are stepping up their efforts to invest in the development and manufacturing of new energy vehicles, which simultaneously drives the market demand for automotive LEDs. The global penetration rate of automotive LED lighting had exceeded 60% in 2021, and the penetration rate of LED lights in new energy vehicles had reached over 90%. With the rebound of the automotive market driving the increase in shipments, coupled with the growth of LED lighting penetration, TrendForce has estimated that the global automotive LED lighting output will reach \$4.21

billion in 2023. We have been actively transforming to develop LEDs for automotive lighting and LEDs for special applications to get around excessive price competition in the market.

iii. Our future development strategy

In 2022, due to the conflict between Russia and Ukraine, supply chain bottlenecks and inflationary pressure, and the development of the COVID-19 into a flu-like illness, restrictions on economic activities will be gradually lifted in many countries, and the growth rate will slow down in 2022 due to the recovery of the economy in 2021, which has resulted in a higher base period. At this stage, we will continue to maintain flexibility and responsiveness in our operations, with the continuous transformation of products and internal process improvement and efficiency enhancement, to build up its R&D strength and core technology, and move toward the goal of becoming an international professional optoelectronics manufacturing service provider.

iv. Effects of external competition, legal environment and overall business environment

Due to intense market competition, the low price market has seriously eroded the profit. When the supply and demand do not reach a balance, it will easily lead to overcapacity and a decline in profit. In the face of this situation, we will carefully evaluate our investments and continue to launch new products, reduce production costs, improve product quality, shorten delivery times for customers and develop new areas of application including smart applications, in order to achieve substantial business growth. In addition, with the rise of global environmental awareness and changes in laws and regulations, we will strive to improve efficiency and recycle resources, and keep an eye on domestic and international policies and legal changes and propose timely countermeasures in order to minimize the adverse effects of the external competitive and regulatory environment on us.

We are appreciative of the support from all shareholders during the past year. Despite intense market competition and all kinds of challenges, our management team will focus on R&D and maximizing the interests of shareholders, and will remain committed to the missions of improving corporate governance and increasing social responsibility.

Best wishes to you all,

Chairperson: Jason Wu



## II. Company Profile

i. **Date of Incorporation:** October 4, 2001

ii. **Company History:**

- October 2001 Edison Opto Corporation (Edison Opto) was officially established with a paid-in capital of NT\$78,000 thousand. The Company was located in Zhonghe Dist., Taipei County, specializing in the manufacturing of light transmitting, lighting, and light sensing components, modules, and various LED components.
- March 2002 Edison Opto successfully developed 8M and 13M Datalink light transmitting units and introduced automated equipment for mass production.
- April 2002 Edison Opto initiated an investment plan on the production of “Light Transmitting and Receiving Modules,” which was approved by the Industrial Development Bureau under the Ministry of Economic Affairs as a project of “Newly emerging, Important and Strategic Industries.”
- November 2002 Edison Opto carried out a cash capital increase of NT\$17,000 thousand. Total paid-in capital was NT\$95,000 thousand.
- December 2002 Edison Opto’s products passed the lead-free test (SGS).
- May 2003 Edison Opto received the international accreditation of SGS ISO 9001 Quality Management.
- June 2003 Edison Opto successfully developed 25M Datalink light transmitting units and began mass production.
- December 2003 Edison Opto successfully developed EdiSensor optical mouse sensors and began mass production.
- December 2003 Edison Opto carried out a cash capital increase of NT\$55,000 thousand. Total paid-in capital was NT\$150,000 thousand.
- January 2004 Edison Opto successfully developed 50M Datalink light transmitting units and began mass production.
- May 2004 Edison Opto purchased an additional property, plant, and equipment of a five-story factory in Zhonghe Dist., expanding its total plant area to 1350 pings, and meanwhile committed to the manufacturing of high-power LED products.
- June 2004 Edison Opto successfully developed 1W–5W high-power LED components and began mass production.
- September 2004 Edison Opto carried out a capital increase of NT\$32,700 thousand through capitalization of earnings. Total paid-in capital was NT\$182,700 thousand.
- November 2004 Edison Opto successfully developed Tensor rotary sensors and began mass production.
- January 2005 Edison Opto successfully developed EdiPower 5W–20W high-power LED products and began mass production.
- May 2005 Edison Opto received the accreditation of SGS ISO 14001 Environmental Management System.
- June 2005 Edison Opto successfully developed 5W LED MR16 and began mass production.

August 2005	Edison Opto carried out a capital increase of NT\$29,325 thousand through capitalization of earnings. Total paid-in capital was NT\$212,025 thousand.
August 2005	Edison Opto obtained the European Union's RoHS certification.
November 2005	The "100W Ultra-High Power LED Project" was approved for subsidy by the Department of Industrial Technology of the Ministry of Economic Affairs.
June 2006	Edison Opto made an investment in Ledison Opto Corporation, indirectly investing in Edison Opto (Dong Guan) Co., Ltd.
October 2006	Edison Opto (Dong Guan) Co., Ltd. announced its grand opening and officially operated for production.
October 2006	Edison Opto carried out a capital increase of NT\$20,975 thousand through capitalization of earnings and a cash capital increase of NT\$47,000 thousand. Total paid-in capital was NT\$280,000 thousand.
October 2006	Edison Opto successfully developed 50W EdiStar high-power LED products and began mass production.
November 2006	Edison Opto made an investment in Best Opto Corporation, indirectly investing in Yangzhou Edison Opto Corporation (formerly named as Yangzhou Ledison Opto Corporation).
December 2006	Edison Opto published its research and development result of the "100W Ultra-High Power LED Project" and successfully developed 100W EdiStar high-power LED products.
January 2007	Edison Opto was accredited by Chinese Management Association for research and development management.
February 2007	Edison Opto successfully developed EdiLine, the linear packaging high-power LED products, and began mass production.
April 2007	Edison Opto passed the evaluation of "100W Ultra-High Power LED Project."
August 2007	Edison Opto carried out a capital increase of NT\$67,000 thousand through capitalization of earnings. Total paid-in capital was NT\$357,000 thousand.
September 2007	Edison Opto was authorized for IPO by the Financial Supervisory Commission of the Executive Yuan.
October 2007	Edison Opto was registered on the emerging stock board at the Taipei Exchange (TPEx, formerly known as GreTai Securities Market).
January 2008	Edison Opto carried out a cash capital increase of NT\$48,000 thousand. Total paid-in capital was NT\$405,000 thousand.
September 2008	Edison Opto carried out a capital increase of NT\$94,200 thousand through capital surplus and capitalization of earnings. Total paid-in capital was NT\$499,200 thousand.
November 2008	Edison Opto successfully developed Federal series products and began mass production.
January 2009	Edison Opto successfully developed the ultra-high power 100W EdiStar modules and began mass production.
June 2009	Yangzhou Edison Opto Corporation announced its grand opening and officially operated for production.

September 2009	Edison Opto carried out a capital increase of NT\$100,800 thousand through capital surplus and capitalization of earnings. Total paid-in capital was NT\$600,000 thousand.
October 2009	Edison Opto successfully developed high-power PLCC 1W 5050 products and flash LED products (Flash Series).
November 2009	Edison Opto carried out a cash capital increase of NT\$60,000 thousand. Total paid-in capital was NT\$668,100 thousand.
June 2010	Edison Opto carried out a capital increase of NT\$110,215 thousand through capitalization of earnings, profit sharing bonus to employees, and capital surplus. Total paid-in capital was NT\$778,315 thousand.
September 2010	Edison Opto carried out an issuance of common shares of NT\$3,803 thousand from the exercise of employee stock options. Total paid-in capital was NT\$782,118 thousand.
November 2010	Edison Opto carried out a cash capital increase of NT\$105,882 thousand. Total paid-in capital was NT\$888,000 thousand.
November 2010	Edison Opto's shares was publicly listed on the Taiwan Stock Exchange.
March 2011	Edison Opto invested in Edison Fund Investment Corporation.
July 2011	Edison Opto carried out a capital increase of NT\$133,200 thousand through capital surplus and capitalization of earnings. Total paid-in capital was NT\$1,021,200 thousand.
September 2011	Edison Opto issued first-time unsecured domestic convertible bonds with a total issue amount of NT\$850,000 thousand.
October 2011	Edison Opto carried out a capital increase of NT\$2,492 thousand from the exercise of employee stock options. Total paid-in capital was NT\$1,023,692 thousand.
November 2011	The Company's Opto Testing Laboratory was certified by Taiwan Accreditation Foundation (TAF) for LED LM-80 (LMF) verification.
March 2012	Edison Opto carried out a capital increase of NT\$56,781 thousand from the exercise of employee stock options and the conversion of convertible bonds. Total paid-in capital was NT\$1,080,473 thousand.
April 2012	Edison Opto carried out a capital increase of NT\$22,973 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,103,446 thousand.
July 2012	Edison Opto carried out a capital increase of NT\$1,567 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,105,013 thousand.
August 2012	Edison Opto carried out a capital increase of NT\$55,500 thousand from capital surplus. Total paid-in capital was NT\$1,160,513 thousand.
September 2012	Edison Opto obtained UL's safety certification for testing laboratories.
October 2012	Edison Opto carried out a capital increase of NT\$30 thousand from the exercise of employee stock options. Total paid-in capital was NT\$1,160,543 thousand.
January 2013	Edison Opto carried out a capital increase of NT\$202 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,160,745 thousand.

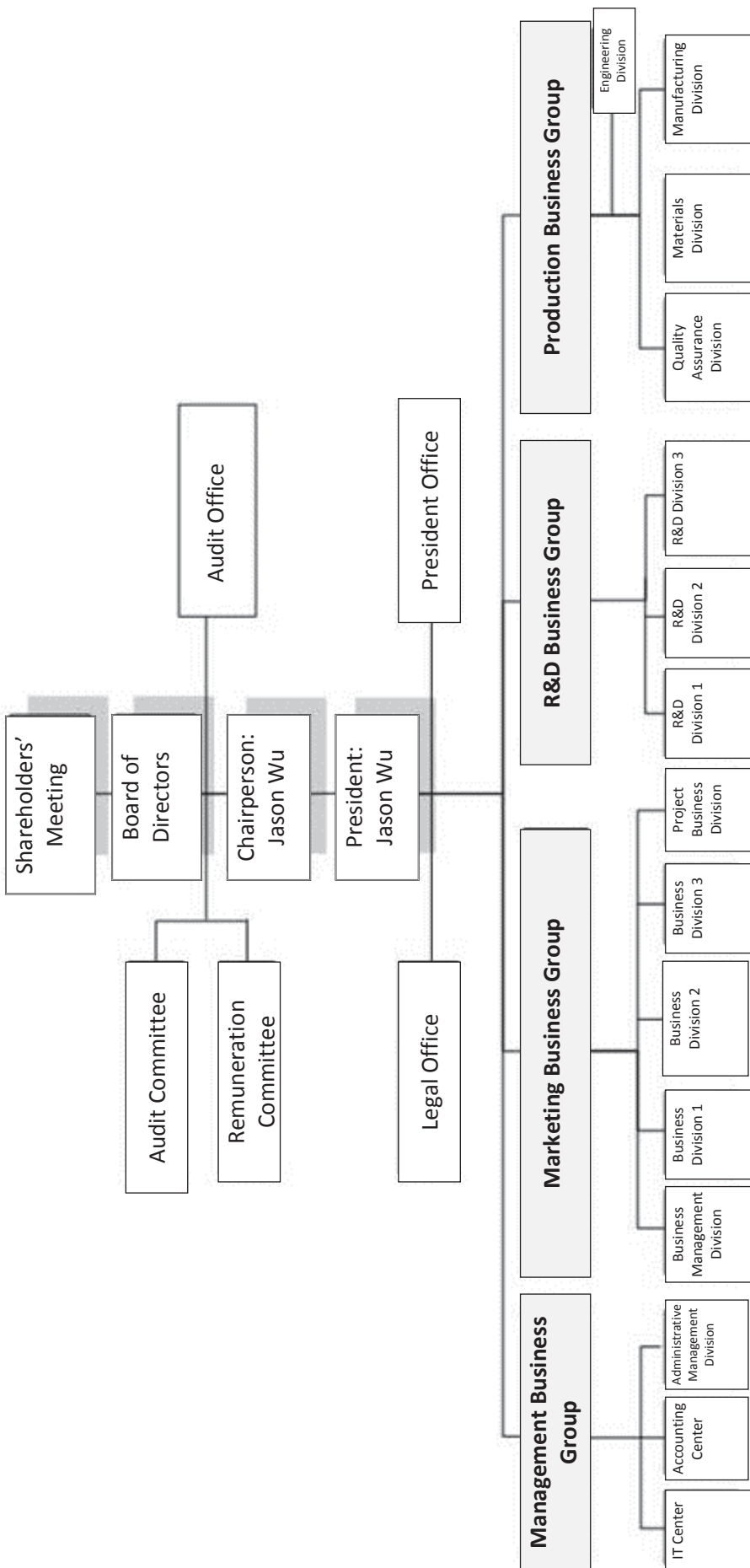
November 2013	Edison Opto issued second-time unsecured domestic convertible bonds with a total issue amount of NT\$1,000,000 thousand.
March 2014	Edison Opto carried out a capital increase of NT\$57,341 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,218,086 thousand.
June 2014	Edison Opto carried out a capital increase of NT\$109,545 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,327,632 thousand.
February 2015	The first-time unsecured domestic convertible bonds were fully redeemed and ceased trading on the OTC.
March 2015	Edison Opto issued a total of 2,000 thousand shares as employee restricted stock awards. Total paid-in capital was NT\$1,347,632 thousand.
June 2015	Yangzhou Edison Opto Corporation's phase II plant began mass production. Yangzhou Edison-Litek Opto Corporation announced its grand opening and officially operated for production.
October 2015	Edison Opto cancelled 120 thousand new restricted stock. Total paid-in capital was NT\$1,346,432 thousand.
January 2016	Edison Opto cancelled 20 thousand new restricted stock and 2,000 thousand treasury stock. Total paid-in capital was NT\$1,326,232 thousand.
February 2016	The second-time unsecured domestic convertible bonds were fully redeemed and ceased trading on the OTC.
May 2016	Ledionopto Lightning, Inc. was included in the consolidated entity.
July 2016	Edison Opto cancelled 86.8 thousand new restricted stock. Total paid-in capital was NT\$1,325,364 thousand.
October 2016	Edison Opto obtained the Operation Headquarters Certificates issued by the Industrial Development Bureau of the Ministry of Economic Affairs.
January 2017	Edison Opto cancelled 154 thousand new restricted stock. Total paid-in capital was NT\$1,323,824 thousand.
May 2017	Edison Opto was awarded the Best Improvement Award in the 3rd Corporate Governance Evaluation.
November 2017	Edison Opto invested in the establishment of Edison-Litek Opto Corporation.
February 2018	Edison Opto cancelled 80 thousand new restricted stock and 2,000 thousand treasury stock. Total paid-in capital was NT\$1,303,024 thousand.
July 2018	Edison Opto cancelled 282 thousand new restricted stock. Total paid-in capital was NT\$1,300,204 thousand.
August 2018	Edison Opto cancelled 5,000 thousand treasury stock. Total paid-in capital was NT\$1,250,204 thousand.
November 2018	Edison Opto invested in the establishment of Edison-Egypt Opto Corporation.
January 2019	Edison Opto cancelled 19 thousand new restricted stock. Total paid-in capital was NT\$1,250,014 thousand.

May 2019	Edison Opto cancelled 2,000 thousand treasury stock. Total paid-in capital was NT\$1,230,014 thousand.
July 2019	Edison Opto issued a total of 2,000 thousand shares as employee restricted stock awards. Total paid-in capital was NT\$1,250,014 thousand.
September 2019	Edison Opto obtained the Operation Headquarters Certificates issued by the Industrial Development Bureau of the Ministry of Economic Affairs.
October 2019	Edison Opto invested in the establishment of Yangzhou Aichuang Electronic Trade Corporation.
August 2020	Edison Opto cancelled 827 thousand new restricted stock and 1,618 thousand treasury stock. Total paid-in capital was NT\$1,225,564 thousand.
November 2020	Edison Opto purchased a new office at Taiwan Technology Plaza as its operation headquarters.
January 2021	Edison Opto issued third-time unsecured domestic convertible bonds with a total issue amount of NT\$300,000 thousand.
July 2021	Edison Opto carried out a capital increase of NT\$52 thousand from the conversion of convertible bonds and cancelled restricted stock of NT\$330 thousand. Total paid-in capital was NT\$1,225,286 thousand.
October 2021	Edison Opto carried out a capital increase of NT\$56,787 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,282,073 thousand.
January 2022	Edison Opto relocated to the operation headquarters (Qiaohe Rd., Zhonghe Dist.)
March 2022	Edison Opto carried out a capital increase of NT\$6,544 thousand from the conversion of convertible bonds. Total paid-in capital was NT\$1,288,617 thousand.

III. Corporate governance report

I. Organizational system

1. Corporate structure



2. Businesses operated by major departments

Department	Job responsibilities
Audit Office	<ul style="list-style-type: none"> <li>• Planning, implementation and revision of the internal control system.</li> <li>• Preparation and implementation of the Group's annual audit plan.</li> <li>• Other matters to be implemented in accordance with laws and regulations.</li> </ul>
President Office	<ul style="list-style-type: none"> <li>• Assist the president in managing the Company's businesses.</li> <li>• The formulation and promotion of business objectives and market strategies.</li> <li>• Promotion and implementation of professional businesses.</li> </ul>
Legal Office	<ul style="list-style-type: none"> <li>• Formulation and review of various contract, implementation of legal litigation consulting services and others.</li> <li>• Preparation, implementation, management, maintenance and negotiation of various intellectual property operations.</li> </ul>
IT Center	<ul style="list-style-type: none"> <li>• Supervision of the management and implementation of the Company's information system and information security policy.</li> <li>• Analysis, planning, assessment, introduction, development and maintenance of information system.</li> <li>• Software and hardware equipment maintenance.</li> </ul>
Accounting Center	<ul style="list-style-type: none"> <li>• Planning and implementation of the Company's financial accounting management and capital management businesses.</li> <li>• Group tax planning and budget preparation and implementation and other related activities.</li> <li>• Subsidiary supervision and investment appraisal operations.</li> <li>• Handling of investor relations.</li> <li>• Responsible for the implementation and management of corporate governance related matters.</li> </ul>
Administrative Management Division	<ul style="list-style-type: none"> <li>• Promotion and management of human resource and corporate culture.</li> <li>• Execution and management of general affairs, industrial safety and other logistics related operations.</li> <li>• Promotion, implementation and management of corporate social responsibility and corporate integrity.</li> </ul>
Business Division	<ul style="list-style-type: none"> <li>• Product promotion, sales and market information collection.</li> <li>• Development and management of customers and agents.</li> <li>• Development, implementation and management of customer service system</li> </ul>
Business Management Division	<ul style="list-style-type: none"> <li>• Planning and implementation of various business processes.</li> <li>• Operation and management of various logistics and import/export businesses.</li> <li>• Business order and administrative operation management.</li> </ul>



Department	Job responsibilities
Project Business Division	<ul style="list-style-type: none"> <li>• Collection of market information, analysis of development trend, and research of customer development directions.</li> <li>• Execute the planning, implementation, design and development progress control, cost control and closing procedures of new product development projects.</li> <li>• Assist various departments and facilities in promoting project execution, management, problem tracking and resolution.</li> </ul>
R&D Division	<ul style="list-style-type: none"> <li>• Feasibility assessment of the development projects</li> <li>• Planning and design of product marketing media</li> <li>• Market survey for new products</li> <li>• Research, development and design of new products.</li> <li>• Improvement of product functions and increase of added value.</li> </ul>
Quality Assurance Division	<ul style="list-style-type: none"> <li>• Establishment of the Company's quality management system and formulation of each inspection specifications.</li> <li>• Improvement and tracking of quality abnormalities and customer complaints.</li> <li>• Third-party quality audit, restriction of raw materials and finished products, and investigation of prohibited substances.</li> <li>• Product reliability verification and lumen maintenance rate estimation.</li> <li>• Calibration of gauge instrument and establishment of standard parts.</li> </ul>
Materials Division	<ul style="list-style-type: none"> <li>• Procurement of raw materials, production equipment, consumable supplies.</li> <li>• Development and management of suppliers and third-party manufacturers.</li> <li>• Management of production scheduling, inventory and warehousing operations.</li> </ul>
Manufacturing Division	<ul style="list-style-type: none"> <li>• Evaluation, planning and management of process technology and production workflow.</li> <li>• Development and management of machine equipment.</li> <li>• Responsible for the introduction of new products into the production line, capacity improvement, and product yield improvement.</li> <li>• Analysis of production abnormalities and improvement plans.</li> </ul>



## II. Profiles of directors, presidents, vice presidents, associate managers and heads of departments and branches

### 1. Director

#### (1) Information about directors and number of shares held

April 24, 2022; Unit: thousand shares

Position	Nationality or place of registration	Name	Gender/Age	Date elected (inaugurated)	Term of office	Date first elected	Shareholding while elected		Current shareholding		Current shareholding of spouse and minor children		Shareholding in the name of others		Main experience (education)	Concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
Chairperson	Taiwan, Republic of China	Jason Wu	Male 51-60	2019.6.18	3 years	2001.9.13	1,798	1.36	2,787	2.16	950	0.74	0	0.00	Master of Chemistry, National Sun Yat-sen University Assistant Manager of R&D Department, Everlight Electronics Co., Ltd Chairperson/President, LUMENMAX OPTOELECTRONICS CO., LTD. Chairperson/President, Yangzhou Ledison Trading Limited. Chairperson/President, Edison Opto Europe GmbH Chairperson, Edison Opto USA Corp. Chairperson/President, DAVINCI OPTO CORP. Director, Ledplus Limited Chairperson/President, DONGGUAN DAVINCI OPTO CORP. President, Edison Opto (Dong Guan) Co., Ltd.	President, Edison Opto Corp. Chairperson/President, Yangzhou Aichuang Electronic Trade Corporation Chairperson, Dongguan Edison Opto Corp./Yangzhou Edison Opto Corp./Yangzhou Edison-Litek Opto Corp. Chairperson, Weixin Investment Limited Representatives of corporate directors, Edison Opto Corp./Ledison Opto Corp./Best Opto Corp./Best Led Corp. Representatives of corporate directors Alpha Tree Investment Limited Chairperson, Edison-litek Opto Corp.Ltd. Chairperson/President, Edison-Litek Opto Corp./LEDIONOPTO LIGHTING, INC./EDISON-EGYPT OPTO CORP./EDISON AUTO LIGHTING CORP	None	None	None	Due to the lack of suitable candidates, the chairperson and the president are currently the same person, but more than half of the directors are not concurrently employees or managers, and an additional independent director is expected to participate in the operation of the Board of Directors
Corporate Director	Taiwan, Republic of China	YOUNGTEK ELECTRONICS CORP.	-	2019.6.18	3 years	September 13, 2001	2,424	1.83	2,424	1.88	0	0.00	0	0.00	-	-	None	None	None	-
Corporate Director	Taiwan, Republic of China	Representative: June Wung	Female 31-40	-	-	-	0	0.00	0	0.00	0	0.00	0	0.00	Master of Economics, University of Southern California Manager, Huacheng Capital Corporation	Chief Manager, General Administrative Division, YOUNGTEK ELECTRONICS CORP.	None	None	None	-
Corporate Director	Taiwan, Republic of China	Weixin Investment Limited	-	2019.6.18	3 years	June 21, 2007	3,041	2.29	4,340	3.37	0	0.00	0	0.00	-	-	None	None	None	-

Position	Nationality or place of registration	Name	Gender/Age	Date elected (inaugurated)	Term of office	Date first elected	Shareholding while elected		Current shareholding		Current shareholding of spouse and minor children		Shareholding in the name of others		Main experience (education)	Concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
	Taiwan, Republic of China	Representative: Po-Chung Wang	Male 51-60	-	-	-	36	0.03	36	0.03	1	0.00	0	0.00	Bachelor of Electrical Engineering, Tamkang University Manager of Procurement Division, Powerchip Semiconductor Corp Director of Operations Division, Yuanheng Semiconductor Co., Ltd. President, Ledionopto Lighting, Inc.	Head of Kaiwei Investment Limited Representatives of corporate directors, Ledionopto Lighting, Inc. Representatives of corporate directors, Qiyi Medical Electronics Co., Ltd.	None	None	None	-
Director	Taiwan, Republic of China	Wen-Ruel Cheng	Male 41-50	2019.6.18	3 years	2013.6.13	1,101	0.95	1,106	0.86	0	0.00	0	0.00	Master of Education Technology, West Michigan University, USA Optec Display Inc. Project Leader Chairperson, Light Vision Corp. Supervisor, Juji Investment Development Co., Ltd.	Chairperson/President, Edison Opto USA Corp.	None	None	None	-
Director	Taiwan, Republic of China	Nan-Yang Wu	Male 61-70	June 18, 2019	3 years	June 13, 2013	0	0.00	0	0.00	0	0.00	0	0.00	Master, Stanford University, USA Director, Epistar Corporation Director, PROLIGHT OPTO TECHNOLOGY CORPORATION	Director, Wafer Works Corporation Director, Guangdong Jinko Electronics Co., Ltd. Director, Advanced Photoelectronic Technology Ltd.	None	None	None	-
Independent Director	Taiwan, Republic of China	Wen-Chao Wang	Male 51-60	June 18, 2019	3 years	April 27, 2010 (Note 1)	210	0.31	0	0.00	0	0.00	0	0.00	Doctor of Business Administration, Nova Southeastern University, USA Supervisor, MORTECH CORPORATION Supervisor, AMAZING MICROELECTRONIC CORP.	President, Wenkai Network Technology Marketing Limited Supervisor, Chingxingwang Industry Co., Ltd.	None	None	None	-
Independent Director	Taiwan, Republic of China	Tung-Hsiung Hung	Male 41-50	June 18, 2019	3 years	June 18, 2019	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Laws, Department of Law, National Taiwan University Supervisor, IARLYTEC CO., LTD. Partner Attorney, Chienyeh Law Firm	Practicing Attorney, Lidong Law Firm Independent Director, NAN JUE INTERNATIONAL CO., LTD.	None	None	None	-
Independent Director	Taiwan, Republic of China	Yin-Fei Liu	Female 51-60	June 18, 2019	3 years	June 18, 2019	0	0.00	0	0.00	0	0.00	0	0.00	EMBA, National Chengchi University Partner, Audit Services Department, PwC	Senior Consultant, Audit Services Department, PwC Independent Director, Wafer Technology Corp. Independent Director, TYNTEK CORPORATION	None	None	None	-

(Note 1) Mr. Wen-Chao Wang was initially elected as the Supervisor of the Company on April 27, 2010, and after the expiration of his term of office on June 13, 2013, his term was not renewed due to the Company's change of operation to the Audit Committee.

(2) The directors are the major shareholders of the corporate shareholders

April 17, 2022

Name of corporate shareholder	The major shareholder of corporate shareholder
YOUNGTEK ELECTRONICS CORP.	Chung Shih Industrial Corporation (6.60%) Lizi Investment Limited (5.23%) Li-Yang Investment Corporation (4.53%) Binglong Wang (3.73%) ATEN Investment Corporation (2.03%) Li Fa Investment Limited (1.25%) Li Wei Investment Limited (1.08%) Chinatrust Commercial Bank subject to Employee Stock Ownership Association of Youngtek Electronics Corp. (0.81%) Taipei Fubon Commercial Bank Corporation (0.66%) Yu Wang (0.60%)
Weixin Investment Limited	Jason Wu (100%)

(3) The directors are the major shareholders of the corporate shareholders

April 17, 2022

Name of legal person	Major shareholder of legal person
Chung Shih Industrial Corporation	Lizi Investment Limited (99.44%)
Lizi Investment Limited	Binglong Wang (90%), Yu Wang (10%)
Li-Yang Investment Corporation	Yu Wang (15.50%), Jingru Li (77.03%)
ATEN Investment Corporation	Harvatek Corporation (41.60%) – special shares, Lizi Investment Limited (26.62%), Li Fa Investment Limited (31.61%)
Lizi Investment Limited	Li-Yang Investment Corporation (99.91%)
Li Wei Investment Limited	Peishi Chen (100%)

(4) Expertise and independence of directors:

Name	More than five years of work experience and the following professional qualifications			Compliance of independence (note)												Number of concurrent independent directors in other public companies
	Lecturer or above in business, legal, finance, accounting, or related disciplines required for corporate business in public or private colleges and universities	Judges, prosecutors, attorneys, accountants, or other professional and technical personnel who have passed the national examination required for the Company's business	Business, legal, finance, accounting or corporate experience	1	2	3	4	5	6	7	8	9	10	11	12	
Jason Wu	-	-	V	-	-	-	V	V	-	-	V	V	V	V	V	0
Representative of YOUNGTEK ELECTRONICS CORP.: June Wung	-	-	V	V	V	V	V	V	V	V	V	V	V	V	-	0
Weixin Investment Limited Representative: Po-Chung Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-	0
Wen-Ruei Cheng	-	-	V	-	-	V	V	V	V	V	V	V	V	V	V	0
Nan-Yang Wu	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Wen-Chao Wang	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Tung-Hsiung Hung	-	V	-	V	V	V	V	V	V	V	V	V	V	V	V	1
Yin-Fei Liu	-	V	-	V	V	V	V	V	V	V	V	V	V	V	V	2

Note: For directors and supervisors who meet the following requirements in the two years before their election and during their terms of office, please tick "✓" in the space below each requirement code.

- (1) Persons who are not employees of the Company or affiliated enterprises.
- (2) Persons who are not directors or supervisors of the Company or affiliated enterprises (except if the Company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country).
- (3) Persons who are not themselves and their spouses, minor children or natural person shareholders who hold more than 1% of the Company's total issued shares or hold the top-ten shares in the name of others.
- (4) Persons who are not spouses, relatives within the second degree of kinship, or relatives within the third degree of kinship of the managers listed in (1) or persons listed in (2) or (3).
- (5) Directors of corporate shareholders, supervisors or employees who do not directly hold more than 5% of the Company's total issued shares, who hold the top-five shares, or who designate a representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (except if the Company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country).
- (6) Directors, supervisors, or employees of another company who are not controlled by the same person as the

Company in terms of the number of directors or more than one-half of the voting shares of the Company (except if the Company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country).

- (7) Directors, supervisors, or employees of another company or institution who are not the same persons or spouses of the chairperson, president, or equivalent of the Company (except if the Company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country).
- (8) Directors, supervisors, managers or shareholders holding more than 5% of the shares of a specific company or institution that does not have financial or business dealings with the Company (except for a specific company or institution that holds more than 20%, but not more than 50%, of the total number of issued shares of the Company and is an independent director of the Company and its parent company, subsidiary or subsidiary of the same parent company established in accordance with this Act or the laws of the local country to serve concurrently with each other).
- (9) Professionals, sole proprietors, partners, directors, supervisors, managers and their spouses who do not provide auditing or remuneration for companies or related enterprises in the last two years for business, legal, finance, accounting and other related services that do not exceed NT\$500,000 in aggregate. However, members of the Remuneration Committee, the Public Takeover Review Committee, or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act shall not be subject to the limits.
- (10) Persons who are not spouses of, or relatives within the second degree of kinship with, other directors.
- (11) There is no one of the conditions in Article 30 of the Company Act.
- (12) No government officers, legal persons or representatives have been elected as stipulated in Article 27 of the Company Act.

2. Profiles of presidents, vice presidents, assistant managers, heads of departments and branches:

April 24, 2022; Unit: thousand shares

Position	Nationality	Name	Gender	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main experience (education)	Concurrent positions in other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
President	Taiwan, Republic of China	Jason Wu	Male	2011.11.01	2,787	2.16	950	0.74	0	0.00	Master of Chemistry, National Sun Yat-sen University Assistant Manager of R&D Department, Everlight Electronics Co., Ltd Chairperson/President, LUMENMAX OPTOELECTRONICS CO., LTD. Chairperson/President, Yangzhou Ledison Trading Limited. Chairperson/President, Edison Opto Europe GmbH Chairperson, Edison Opto USA Corp Chairperson/President, DAVINCI OPTO CORP. Director, Ledplus Limited Chairperson/President, DONGGUAN DAVINCI OPTO CORP. President, Edison Opto (Dong Guan) Co., Ltd.	President, Edison Opto Corp. Chairperson/President, Yangzhou Aichuang Electronic Trade Corporation Chairperson, Dongguan Edison Opto Corp./Yangzhou Edison Opto Corp./Yangzhou Edison-Litek Opto Corp Chairperson, Weixin Investment Limited Representatives of corporate directors, Edison Opto Corp./Ledison Opto Corp./Best Opto Corp./Best Led Corp. Representatives of corporate directors, Alpha Tree Investment Limited Chairperson, Edison-litek Opto Corp.Ltd. Chairperson/President, Edison-Litek Opto Corp./LEDIONOPTO LIGHTING, INC./EDISON-EGYPT OPTO CORP/EDISON AUTO LIGHTING CORP	None	None	None	Due to the lack of suitable candidate, the chairperson and the president are currently the same person, but more than half of the directors are not concurrently employees or managers, and an additional independent director is expected to participate in the operation of the Board of Directors
Vice President, R&D Division and Facilities Division	Taiwan, Republic of China	Guolun Liao	Male	2022.01.01	77	0.06	0	0.00	0	0.00	Institute of Marine Environmental Engineering, Sun Yat-Sen University Head of Facilities Division, Yangzhou Edison-Litek Opto Corporation Head of Quality Assurance Division, Edison Opto Corp. Representatives of corporate directors/associate manager of Business Division, Ledionopto Lighting, Inc. Head of Facilities Division/Vice President, Yangzhou Edison Opto Corporation	President, Edison Opto (Dong Guan) Co., Ltd.	None	None	None	-

Position	Nationality	Name	Gender	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main experience (education)	Concurrent positions in other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
Facilities Division Senior Associate Manager	Taiwan, Republic of China	Yaochuan Hong	Male	2010.01.01	125	0.10	0	0.00	0	0.00	Department of Electronics, Oriental Institute of Technology Director of Manufacturing Department, Everlight Electronics Co., Ltd Vice Manager of Manufacturing Department, Lenovo Optoelectronics Co., Ltd. Head of Facilities Division/Representatives of corporate directors, Edison Opto Corp. Director, Yangzhou Ledison Trading Limited Vice President, Edison Opto (Dong Guan) Co., Ltd.	Director, Dongguan Edison Opto Corp./Yangzhou Edison Opto Corporation President, Edison Opto (Dong Guan) Co., Ltd. Representatives of corporate directors, Alpha Tree Investment Limited	None	None	None	-
Senior Associate Manager, Facilities Division	Taiwan, Republic of China	Qingyuan Liu	Male	2021.01.01	25	0.02	0	0.00	0	0.00	Department of Electrical Engineering, Feng Chia University Head of Process Engineering Department, COMPEQ MANUFACTURING CO., LTD. Facility Manager, Edison Opto Corporation Representatives of corporate directors, Edison Opto Corporation Head of Facilities Division/Associate Manager, Vice President/Director, Yangzhou Edison Opto Corporation Associate Facility Manager/Vice President, Dongguan Edison Opto Corporation Associate Facility Manager, Edison-Egypt Opto Corporation	President, Yangzhou Edison Opto Corporation Director, Yangzhou Aichuang Electronic Trade Corporation	None	None	None	-
Associate Facility Manager	Taiwan, Republic of China	Kundian He	Male	2021.01.01	48	0.04	0	0.00	0	0.00	Institute of Business Administration, National Taiwan University of Science and Technology R&D engineer, Tepo International Co., Ltd Business Manager, Edison Opto Corporation Associate Business Manager, Edison-Egypt Opto Corporation	Director, Yangzhou Aichuang Electronic Trade Corporation	None	None	None	-

Position	Nationality	Name	Gender	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main experience (education)	Concurrent positions in other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
Senior Associate Manager, Accounting Center	Taiwan, Republic of China	Cheng-Tien Hsu	Male	2011.01.16	46	0.04	2	0.00	0	0.00	Institute of Accounting, Tamkang University Manager of Audit Department, KPMG Manager of Accounting Department, TAIWAN OASIS TECHNOLOGY CO., LTD Special Assistant to the General Manager/Manager of Accounting Department/Director of Finance, Edison Opto Corporation Representatives of corporate directors/Representatives of corporate supervisors, LUMENMAX OPTOELECTRONICS CO., LTD. Representatives of corporate supervisors, TGI Technology Limited Director, Yangzhou Edison-Litek Opto Corporation Director Director, LEDlike Co., Ltd. Representatives of corporate directors, DAVINCI OPTO CORP. Department of Management, Tunghai University Audit Supervisor, BIOSTAR MICROTCH INT'L CORP.	Supervisor, Yangzhou Edison Opto Corp./Yangzhou Aichuang Electronic Trade Corporation/Yangzhou Edison-Litek Opto Corp. Representatives of corporate supervisors, Edison-Litek Opto Corp. Representatives of corporate supervisors, Alpha Tree Investment Limited Representatives of corporate supervisors, LEDIONOPTO LIGHTING, INC./EDISON-EGYPT OPTO CORP/EDISON AUTO LIGHTING CORP Director, Taiwan Hydroxy Technology Co., Ltd.	None	None	None	-
Audit Supervisor	Taiwan, Republic of China	XiaoJun Wang	Female	2006.10.28	44	0.04	0	0.00	0	0.00		None	None	None	None	-



3. Remuneration paid to directors, presidents and vice presidents in the last year

(1) Remuneration for general directors and independent directors (individual disclosure of names and remuneration methods)

Unit: TWD 1,000; thousand shares

Position	Name	Remuneration for directors						The total amount of A, B, C and D as a percentage of the net profit after tax		Remuneration for part-time employees						The total amount of A, B, C, D, E, F and G as a percentage of the net profit after tax	Any remuneration from reinvestment businesses other than subsidiaries received?					
		Remuneration (A)		Retirement pension (B)		Remuneration for directors (C)		Expenses on business operation (D)		Salary, bonus and special expenses, etc. (E)	Retirement pension (F)		Remuneration for employees (G)									
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		The Company	All companies in the financial report	Cash amount	Stock amount	The Company			All companies in the financial report				
Chairperson	Jason Wu	0	0	0	0	210	210	0	0	0.17	0.17	5,203	15,310	108	108	0	0	0	0	4.59	13.00	None
Corporate Director	YOUNGTEK ELECTRONICS CORP.	0	0	0	0	210	210	0	0	0.17	0.17	0	0	0	0	0	0	0	0	0.17	0.17	None
	YOUNGTEK ELECTRONICS CORP. Representative: June Wung	0	0	0	0	0	0	48	48	0.04	0.04	0	0	0	0	0	0	0	0	0.04	0.04	None
Corporate Director	Weixin Investment Limited	0	0	0	0	210	210	0	0	0.17	0.17	0	0	0	0	0	0	0	0	0.17	0.17	None
	Weixin Investment Limited Representative: Po-Chung Wang	0	0	0	0	0	0	48	48	0.04	0.04	0	0	0	0	0	0	0	0	0.04	0.04	None
Director	Wen-Ruei Cheng	0	0	0	0	210	210	48	48	0.21	0.21	300	4,021	28	28	0	0	0	0	0.49	3.58	None
Director	Nan-Yang Wu	0	0	0	0	210	210	48	48	0.21	0.21	0	0	0	0	0	0	0	0	0.21	0.21	None
Independent director	Wen-Chao Wang	209	0	0	0	150	150	48	48	0.34	0.34	0	0	0	0	0	0	0	0	0.34	0.34	None
Independent director	Tung-Hsiung Hung	209	0	0	0	150	150	42	42	0.33	0.33	0	0	0	0	0	0	0	0	0.33	0.33	None
Independent director	Yin-Fei Liu	209	0	0	0	150	150	48	48	0.34	0.34	0	0	0	0	0	0	0	0	0.34	0.34	None
Note 1: The remuneration policy, system, standard and structure for independent directors, and the correlation between the remuneration paid according to the responsibilities, risks, investment time and other factors undertaken: see Page 19 for details.																						
Note 2: Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc) the last year: None.																						

Table of remuneration level

Unit: TWD

Level of remuneration for directors	Name of director			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than TWD 1,000,000	Jason Wu, Nan-Yang Wu, Wen-Ruei Cheng, YOUNGTEK ELECTRONICS CORP. and its representative June Wung Weixin Investment Limited and its representatives Po-Chung Wang, Wen-Chao Wang	Jason Wu, Nan-Yang Wu, Wen-Ruei Cheng, YOUNGTEK ELECTRONICS CORP. and its representative June Wung Weixin Investment Limited and its representatives Po-Chung Wang, Wen-Chao Wang	Nan-Yang Wu, Wen-Ruei Cheng, YOUNGTEK ELECTRONICS CORP and its representative June Wung, Weixin Investment Limited and its representatives Po-Chung Wang, Wen-Chao Wang, Tung-Hsiung Hung, Yin-Fei Liu	Nan-Yang Wu, YOUNGTEK ELECTRONICS CORP and its representative June Wung, Weixin Investment Limited and its representatives Po-Chung Wang, Wen-Chao Wang, Tung-Hsiung Hung, Yin-Fei Liu
TWD 1,000,000 (incl.) – TWD 2,000,000 (excl.)				
TWD 2,000,000 (incl.) – TWD 3,500,000 (excl.)				
TWD 3,500,000 (incl.) – TWD 5,000,000 (excl.)				Wen-Ruei Cheng
TWD 5,000,000 (incl.) – TWD 10,000,000 (excl.)			Jason Wu	
TWD 10,000,000 (incl.) – TWD 15,000,000 (excl.)				
TWD 15,000,000 (incl.) – TWD 30,000,000 (excl.)				Jason Wu
TWD 30,000,000 (incl.) – TWD 50,000,000 (excl.)				
TWD 50,000,000 (incl.) – TWD 100,000,000 (excl.)				
more than TWD 100,000,000				
Total	8	8	8	8

A: Remuneration for directors in 2021 (including director's salary, position bonus, severance pay, various bonuses and incentives).

B: The amount allocated for withdrawal.

C: The amount of remuneration for directors in 2021 is the amount distributed through the resolution of the Board of Directors on February 24, 2022.

D: Expenses related to business execution of directors in 2021 (including travel expenses, special expenses, various allowances, provision of dormitories, vehicles).

E: Expenses including salaries, job bonuses, severance pay, various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories, vehicles and other in-kind provision, as well as the salary expenses as according to IFRS2 "Share-based payment" received by directors and part-time employees (including concurrently presidents, vice presidents, other managers and employees) in 2021.

F: The amount allocated for withdrawal.

G: The amount of remuneration for employees in 2021 is the amount distributed through the resolution of the Board of Directors on February 24, 2022.

Net profit after tax: refers to the net profit after tax of the standalone financial report in 2021, which is NT\$120,258,000.

(2) Remuneration for supervisor: N/A. On June 13, 2013, when the Regular Shareholders' Meeting passed the general re-election of the Board of Directors, the Company established an Audit Committee and abolished the Supervisor.

(3) Remuneration for president and vice president (and the individual remuneration of the top five remuneration executives)

Unit: TWD 1,000

Position	Name	Salary (A)		Retirement pension (B)		Bonus and special expenses, etc. (C)		Remuneration for employees (D)				The total amount of A, B, C and D as a percentage of the net profit after tax		
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	Remuneration from reinvestment businesses other than subsidiaries or from parent company received
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Jason Wu	4,203	13,876	108	108	1,000	1,434	0	0	0	0	4.42	12.82	None
Vice President	Guolun Liao	1,633	1,633	69	69	370	370	0	0	0	0	1.72	1.72	None
Senior Associate Manager	Yaochuan Hong	1,214	2,038	69	69	309	418	0	0	0	0	1.32	2.10	None
Senior Associate Manager	Qingyu an Liu	1,020	1,855	62	62	300	517	0	0	0	0	1.15	2.02	None
Senior Associate Manager	Cheng-Dian Hsu	1,388	1,496	87	87	300	493	0	0	0	0	1.48	1.72	None

A: Salaries, position bonuses, severance pay for president and vice president in 2021.

B: The amount allocated for withdrawal.

C: Various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories, vehicles and other in-kind provision, as well as the salary expenses as according to IFRS2 "Share-based payment" received by president and vice president in 2021.

D: The amount of remuneration for employees in 2021 is the amount distributed through the resolution of the Board of Directors on February 24, 2022.

Net profit after tax: refers to the net profit after tax of the standalone financial report in 2011, which is NT\$120,258,000.

(Note) The contents of the remuneration disclosed in this table are different from the income concept in the Income Tax Act, so this table is intended for information disclosure and not for taxation purposes.

- (4) Name of the manager who distributes remuneration for employees and the situation of distribution:

December 31, 2021; Unit: TWD 1,000

	Position	Name	Stock amount	Cash amount	Total	Proportion of total amount to net profit after tax (%)
Manager	President	Jason Wu	0	0	0	0.00
	Vice President	Guolun Liao				
	Senior Associate Manager	Yaochuan Hong				
	Senior Associate Manager	Qingyuan Liu				
	Senior Associate Manager	Cheng-Dian Hsu				
	Associate Manager	Kundian He				
	Audit Supervisor	Xiaojun Wang				

Note 1: The amount of remuneration for employees in 2021 is the amount distributed through the resolution of the Board of Directors on February 24, 2022.

Note 2: Net profit after tax: refers to the net profit after tax of the standalone financial report in 2021, which is NT\$120,258,000.

4. An analysis of the total remuneration paid to the Company's directors, presidents and vice presidents as a percentage of net income after tax for the last two years for the Company and all companies included in the consolidated financial statements, and an explanation of the policy, criteria and mix of remuneration payments, the process for setting remuneration, and the correlation with operating performance and future risks.

Position \ Year	Total amount of remuneration as a percentage of net income (loss) after tax in the standalone financial statements			
	2020		2021	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Director	14.92	44.79	6.72	18.22
President and Vice President	11.39	35.86	6.14	14.54

Note: The net profit after tax of the standalone financial report for the year 2020 was NT\$42,154,000; the net profit after tax of the individual financial report for the year 2021 was NT\$120,258,000.

- (1) Remuneration for directors: The remuneration for directors is recommended by the Remuneration Committee and submitted to the Board of Directors for resolution; the remuneration for directors is determined by the Board of Directors in accordance with Article 18 of the Company's Articles of Incorporation (i.e. no more than 3% of the Company's profit for the year) and is distributed by a resolution of two-thirds of the Board of Directors with a majority of the directors present, and reported to the shareholders' meeting; the rest of the remuneration is paid only for attendance fees and no other additional variable remuneration is charged. In fiscal year 2020, the Board of Directors resolved on February 25, 2021 to set aside NT\$450,000 (approximately 1%) as directors' remuneration based on the profit in fiscal year 2020, which is to be paid in cash; in fiscal year 2021, the Board of Directors resolved on February 24, 2022 to set aside NT\$1,500,000 (approximately 1.2%) as directors' remuneration based on the profit in fiscal year 2021, which is to be paid in cash.
- (2) Remuneration for independent directors: The remuneration for independent directors is proposed by the Remuneration Committee and submitted to the Board of Directors for resolution by the management team with reference to the salary level in the industry market and the Company's operating conditions, but the members of the Remuneration Committee are not allowed to vote on their individual remuneration decisions and must be submitted to the Board of Directors for discussion and decision. After considering the Company's operating conditions, the Board of Directors shall pay the directors' remuneration for the year fiscal year 2021 based on the profitability of the Company, in addition to the basic monthly compensation and the travel expenses for attending meetings.
- (3) Remuneration for President and Vice President: The remuneration shall be based on the Company's "Salary Management Rules", the salary level of the position in the market of the same industry, and the scope of authority and responsibility of the position in the Company; and a reasonable remuneration shall be given with reference to the individual performance compliance rate and contribution to the Company's performance; relevant performance appraisals and the rationality of remuneration are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system shall be reviewed in a timely manner according to the actual operating conditions and relevant laws and regulations. The remuneration for employees shall be distributed by the Board of Directors in accordance with the Company's Articles of Incorporation, that is, 5% to 15% of the profitability of the current year, and it shall be resolved by the consent of the

two-thirds of the directors attended and the majority of the directors attended, and shall be submitted to the shareholders' meeting. In 2020 and 2021, the Board of Directors resolved on February 25, 2021 and February 24, 2022, respectively, to set aside 5% of the profit for each year as remuneration for employees, with an amount of NT\$2,250,000 and NT\$6,500,000 respectively, which is to be distributed in cash, and none of the recipients of the distribution were given to managers, including presidents.

- (4) Relationship between remuneration and future risk: The remuneration of the directors and managers of the Company shall be in accordance with the scope of the Company's Articles of Incorporation and the provisions of the "Organizational Regulations of the Remuneration Committee" and the "Performance Evaluation Measures of the Board of Directors" adopted by the Board of Directors. The performance of the directors shall be based on the results of the performance evaluation of the directors, while the managers shall be based on factors such as the Company's business strategy, profitability, performance and contribution to their positions, as well as the market level of salaries, and shall be recommended by the Remuneration Committee and approved by the Board of Directors.

The Remuneration Committee and the Board of Directors regularly review the reasonableness of the remuneration, and review the relevant provisions of the remuneration from time to time in light of the actual operating conditions and relevant laws and regulations, and shall not lead the directors and president to engage in acts that exceed the Company's risk appetite in pursuit of remuneration, so as to avoid improper situations such as the company suffering losses after paying remuneration. In addition to the directors of the Company receiving travel expenses for the execution of business and the basic remuneration received by the independent directors on a monthly basis, the remuneration for directors is distributed according to the profits of the company, so there is no risk of significant impact on the company; as for the president and vice president as well as managers, in addition to the fixed salary, the rest of the bonuses is distributed according to the performance of the company, so there is no risk of significant impact on the company.

### III. Operation of Corporate Governance

#### i. Operation of the Board of Directors

1. Last year (2021), the Board of Directors held 8 (A) meetings, and the attendances of Directors and Independent Directors as voting and nonvoting delegates were shown as follows:

All the Directors (including the Independent Directors) should attend 64 meetings in total, and the number of actual attendances was 63 in total, with an average attendance rate of 98.44%.

Position	Name	Number of actual attendances as voting (and nonvoting) delegates (B)	Number of attendances by proxy (A)	Rate of actual attendances as voting (and nonvoting) delegates (%) (B/A)	Remarks
Chairperson	Jason Wu	8	0	100%	
Director	YOUNGTEK ELECTRONICS CORP. Representative: June Wung	8	0	100%	
Director	Weixin Investment Limited Representative: Po-Chung Wang	8	0	100%	
Director	Wen-Ruei Cheng	8	0	100%	
Director	Nan-Yang Wu	8	0	100%	
Independent director	Wen-Chao Wang	8	0	100%	
Independent director	Tung-Hsiung Hung	7	1	87.5%	
Independent director	Yin-Fei Liu	8	0	100%	

Attendance of the Independent Directors at each meeting of the Board of Directors in 2021:

V: attendance in person O: attendance by proxy X: Not attendance

2021	2/25	5/13	6/24	7/15	8/12	10/1	11/12	12/23
Wen-Chao Wang	V	V	V	V	V	V	V	V
Tung-Hsiung Hung	V	V	V	O	V	V	V	V
Yin-Fei Liu	V	V	V	V	V	V	V	V

Other items which should be recorded:

In case of any of the following circumstances in the operation of the Board of Directors, the date and session of the meeting of the Board of Directors, contents of proposals, opinions of all the Independent Directors and the Company's treatment on the opinions of the Independent Directors should be stated:

(1) Items listed in Article 14-3 of the Securities and Exchange Act

Session / Date	Contents of Proposals and Subsequent Treatment	Items listed in § 14-3 of the Securities and Exchange Act	Independent Directors had objections or reservations
The 13th meeting of the seventh session 2021.02.25	1. 2020 achievement and assessment results of performance objectives of the Directors and Managers.	V	None
	2. Ratification of 2020 remuneration of the Directors and employees by the Company.	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		
The seventh session The 14th meeting 2021.05.13	1. Expected cash capital increase handled by the subsidiaries of the Company.	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		
The seventh session The 17th	1. New increase of fund loans between the subsidiaries of group.	V	None
	2. Amendments to the Company's "Internal Control System" and relevant measures.	V	None



Session / Date	Contents of Proposals and Subsequent Treatment	Items listed in § 14-3 of the Securities and Exchange Act	Independent Directors had objections or reservations
meeting 2021.08.12	3. Ratification of remuneration of the Independent Directors.	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		
The seventh session The 18th meeting 2021.10.01	1. Items handled in coordination with the execution of the Company's Internal Control System.	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		
The seventh session The 19th meeting 2021.11.12	1. 2022 director liability insurance intended to be purchased by the Company.	V	None
	2. Amendments to the relevant operating measures of the Company's "Internal Control System."	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		
The seventh session The 20th meeting 2021.12.23	1. Ratification of the fund loan limit between the companies of group in 2022.	V	None
	2. Reporting for purchase of short-term derivatives by the subsidiaries in 2022.	V	None
	3. Appointment and remuneration of the certified public accountants (CPAs) of group in 2022.	V	None
	Opinions of the Independent Directors: none.		
	The Company's Treatment on the opinions of Independent Directors: not applicable.		
	Resolution results: all the Directors present adopted the resolution without dissent.		

(2) In addition to the above items, other resolutions of the board meeting with objections

or reservations of the Independent Directors and records or written statements: none.

2. The Directors should state the name of the Directors, contents of proposals, reasons for avoidance of interests and participation in voting with respect to the execution of avoidance for proposals with related interests:

Session / Date	Contents of proposals	Avoidance for proposals Name of director	Reasons for avoidance of interests	Participation in voting
The 13th meeting of the seventh session of the Board of Directors 2021.02.25	Ratification of remuneration of the Directors and employees in 2020	Avoidance of interests by the Managers and the Chairman Jason Wu	The Chairman Jason Wu also acts as the General Manager	No such situation

3. The objectives of strengthening the functions of the Board of Directors in the current year and the recent years (such as establishing an Audit Committee, and improving information transparency,) and the evaluation on the implementation:

- (1) The Company had established the Audit Committee in June 2013, to replace the functions and powers of supervisors. In addition, the Company entrusted KPMG to regularly audit and verify the financial statements of the Company, could correctly and promptly complete the information disclosure required by the laws, and designated a special person to be responsible for the collection and disclosure of the Company's information, so as to ensure that all major information could be disclosed in a timely and appropriate manner to improve the transparency of information.
  - (2) The Company adopted the performance assessment methods of the Board of Directors on April 28, 2015, and revised it on August 4, 2020. By the end of the date of publishing the annual report, the 2021 performance assessment on the Board of Directors, Directors and functional committees had been completed in the mid of February 2022. According to the assessment methods, the internal self-assessment questionnaires were adopted, all the assessment results were "Excellent" or above, and the performance assessment results had been submitted to the Board of Directors on February 24, 2022. To strengthen the functions and efficiency of the Board of Directors and functional committees through the performance assessment system.
  - (3) The Company established a Remuneration Committee to assist the Board of Directors in regularly evaluating and determining the salary and remuneration of the Directors and Managers, and regularly reviewing the policies, systems, standards and structures of performance assessment and salary and remuneration of the Directors and managers.
4. The listed or OTC Company should disclose information such as the assessment cycle and term, scope, methods and contents of the self-assessment (or peer

assessment) of the Board of Directors, and fill in the implementation of the assessment on the Board of Directors:

2021 performance assessment results were shown as follows

Assessment cycle	Assessment term	Assessment scope	Assessment methods	Assessment contents	Assessment results
Made once each year	from January 1, 2021, to December 31, 2021	The overall Board of Directors	Internal self-assessment of the Board of Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Improvement of decision-making quality of the Board of Directors.</li> <li>3. Composition and structure of the Board of Directors.</li> <li>4. Election and continuing education of Directors.</li> <li>5. Internal control.</li> </ol>	<p>The results of performance assessment: excellent or above, which was still good. The improvement schemes were recommended as follows:</p> <p>*Contents of items: The Board of Directors set up enough seats for the Independent Directors, and the number of Independent Directors met the relevant provisions (for example, if the Chairman or General Manager and officers at the equivalent level (top manager) were the same person, or spouses or first-degree relatives to each other, it was appropriate to increase the number of the Independent Directors, and more than half of the Directors did not have the status of employees or Managers)</p> <p>*Action plans: The Board of Directors had set up enough seats for the Independent Directors. However, at present, the Chairman of the Company concurrently served as the General Manager, and an Independent Director would be added to the next Board of Directors (the eighth session (after the re-election of shareholders, the tenure would be from 2022 to 2025)) to meet the requirements in Article 4 of the Key Points for Establishment of the Board of Directors.</p>

Assessment cycle	Assessment term	Assessment scope	Assessment methods	Assessment contents	Assessment results
Made once each year	from January 1, 2021, to December 31, 2021	Individual Directors	Self-assessment of the Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Awareness of the responsibilities of the functional Committees.</li> <li>3. Improvement of the decision-making quality of functional committees.</li> <li>4. Composition and member election of the functional Committees.</li> <li>5. Internal control.</li> </ol>	<p>The results of performance assessment: excellent or above, which was still good. The improvement schemes were recommended as follows:</p> <p>*Contents of items: The Directors of the Company did not concurrently hold the position of director and supervisor of several companies.</p> <p>*Action plans: Two Directors concurrently held the directorships of several companies (more than three companies) mainly because the Directors served as the director of companies within the group companies to which he belonged, but his proper understanding and devotion in the Company would not be affected, so currently, it was not necessary to take any improvement action.</p>
Made once each year	from January 1, 2021, to December 31, 2021	Functional committees (Remuneration Committee)	Self-assessment of the Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Awareness of the responsibilities of the functional Committees.</li> <li>3. Improvement of the decision-making quality of functional committees.</li> <li>4. Composition and member election of the functional Committees.</li> <li>5. Internal control.</li> </ol>	<p>The performance assessment results of the Remuneration Committee: excellent or above, which was still good. No improvement scheme was recommended this time.</p>

Assessment cycle	Assessment term	Assessment scope	Assessment methods	Assessment contents	Assessment results
Made once each year	from January 1, 2021, to December 31, 2021	Functional committees (Audit Committee)	Self-assessment of the Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Awareness of the responsibilities of the functional Committees.</li> <li>3. Improvement of the decision-making quality of functional committees.</li> <li>4. Composition and member election of the functional Committees.</li> <li>5. Internal control.</li> </ol>	The performance assessment result of the Audit Committee: excellent or above, which was still good. No improvement scheme was recommended this time.

#### 5. Succession plan for board members and important management:

##### (1) Succession plan for board members and its operation

Many years ago, the Company introduced an enterprise inheritance perspective of corporate governance and honest operation. The independent director system was introduced in 2008, the Remuneration Committee was established in 2011, and the Audit Committee was voluntarily established in advance in 2013. When the Directors were completely re-elected in 2019, the candidate nomination system was adopted by the shareholders, and the principle that the tenure of the Independent Directors should not exceed at most 9 years was carried out to avoid damaging the independence of the Independent Directors.

In addition to having the knowledge, skills and quality necessary for the performance of their duties, the members of the Board of Directors carried out diversification policies as the election conditions for the members of the Board of Directors (the election standards for the Directors had been disclosed on the Company's website: Investors > corporate governance > board of directors > organization of board of directors, website: <https://www.edison-opto.com/board-organization/>). In order to achieve the ideal goal of corporate governance, the Company made many practices ahead of the requirements of government laws and regulations, and gradually promoted the process of optimizing the efficiency of the Board of Directors.

In addition to having professional background and professional skills, the members of the Board of Directors of the Company should also have expertise in the Company's business planning and undertakings. In order to enable the members of the Board of Directors to improve their professionalism and make continuous improvement, considering the scope beyond the professional ability of each Director, they should

choose to study the relevant courses covering the finance, risk management, business, commerce, legal affairs, accounting, corporate social responsibilities or internal control system, and responsibilities for financial reports related to the nature of the Company's industry, each member should take continuing education courses of at least 6 hours for himself every year to ensure that the members of the Board of Directors had a considerable degree of industrial knowledge and acquire new knowledge.

The Company launched a chairman succession plan in 2020 to cultivate senior managers in the Company, and arranged them to attend meetings of the Board of Directors as nonvoting delegates, made them familiar with the operation of the Board of Directors, and increased their experience in participation and work rotation in various operating entities of the group, and assignment to subsidiaries.

(2) Succession plan for important management and its operation

The Company emphasized that in addition to having certain professional skills, words and deeds of important management should be highly consistent with the enterprise business philosophy of "Integrity and Honesty, Pragmatic Action, Modesty and Sureness" and "Doing by yourself and doing what you say," and they should carry out such philosophy indeed. Therefore, the cultivation of their ideas and their own practice from the heart needed long-term cultivation, edification and implementation. The Company had several members of important management (General(Deputy General) Manager(s)), who were responsible for leading the operation of production, marketing and research and development in each factory; the experience was taught and tutored to them one-to-one in the form of work rotation and assignment, and heads of finance, audit, legal affairs, human resources and information units were assigned to assist the management in taking education and training in relevant fields other than production, marketing and research and development through business management meetings and cross departmental functional meetings, etc., deepening the understanding of business philosophy and cultivating their various business management skills, so as to help select important members of the succession echelon. According to the group's organizational development and growth momentum, in addition to recruiting excellent cadres, the Company would also continue to actively cultivate potential middle and senior managers, strengthen individual tutorship and work communication, and from time to time carry out work rotation and assignment plans to select all-round talents and strengthen the future operation team in a planned and targeted manner.

ii. Information about the operation of the Audit Committee:

1. Operation of the Audit Committee: The Audit Committee of the Company was composed of three members of all Independent Directors. It held a meeting before a meeting of the Board of Directors to examine the Company's important proposals and major financial and business activities, to truly supervise the Company's operation and risk control. The Audit Committee held five meetings in 2021, and the items deliberated mainly included:

- (1) Financial statements auditing and accounting policies and procedures.
- (2) Internal control system and related policies and procedures.
- (3) Significant assets or derivatives transactions.
- (4) Compliance with laws and regulations.
- (5) Whether the Managers and the Directors made related party transactions and had

possible conflict of interests.

(6) Complaint reports.

(7) Fraud prevention plan and fraud investigation report.

(8) Information security.

(9) Corporate risk management.

(10) Qualification, independence and performance assessment of certified public accountants.

(11) Appointment, dismissal or remuneration of certified public accountants.

## 2. Review of financial reports

The Board of Directors prepared the Company's 2021 business report, financial statements, earnings distribution and other proposals, among which the financial statements were audited by KPMG and an audit report was issued. The above-mentioned business report, financial statements and earnings distribution proposal had been audited by the Audit Committee and were not found to be inconsistent.

## 3. Evaluation on effectiveness of the Internal Control System

The Audit Committee evaluated the effectiveness of the policies and procedures of the Company's Internal Control System (including finance, operation, risk management, information security, outsourcing, compliance with laws and regulations and other control measures), and reviewed the regular reports of the Company's audit unit, certified public accountants and management, including risk management and compliance with laws and regulations. The Audit Committee believed that the Company's risk management and Internal Control System were effective, and the Company had adopted necessary control mechanisms to monitor and correct violations.

## 4. Appointment of Certified Public Accountants

The Audit Committee was vested with duties to supervise the independence of certified public accountants to ensure the fairness of financial statements. Generally, except for tax related services or items specially approved, a certified public accountant firm should not provide the Company with other services. All services provided by the certified public accountant firm must be approved by the Audit Committee.

In order to ensure the independence of the certified public accountant firm, the Audit Committee formulated an independence evaluation form with reference to Article 47 of the Certified Public Accountants Act and the contents of "Integrity, Impartiality, Objectivity and Independence" in the bulletin of Accounting Professional Ethics No. 10, to evaluate the independence, professionalism and competence of the certified public accountants and whether the certified public accountants and the Company were related to each other, or had business or financial interests with each other. On February 25, 2021, the 13th meeting of the seventh session of the Board of Directors evaluated that the certified public accountants, Heng-Sheng Lin and Bei-Qi Chen, met the independence standard pursuant to Article 29 of the Codes for Governance Practice of Listed and OTC Companies and were sufficiently competent to serve as the certified public accountants for the audit and review of the Company's financial statements.



5. In 2021 the Audit Committee held 5 meetings (A), and the number of attendances of the Independent Directors was shown as follows:

Position	Name	The number of actual attendances (B)	Number of attendances by proxy (A)	The actual attendance rate (%) (B/A)	Remarks
Independent director	Wen-Chao Wang	5	0	100%	Convening member
Independent director	Tung-Hsiung Hung	4	1	80%	
Independent director	Yin-Fei Liu	5	0	100%	

Other items which should be recorded:

1. In case of any of the following circumstances in the operation of the Audit Committee, the date and session of the meeting of the Audit Committee, contents of proposals, resolution results of the Audit Committee and the Company's treatment on the opinions of the Audit Committee should be stated.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Contents of Proposals and Subsequent Treatment	Items listed in Article 14-5 of the Securities and Exchange Act:	Resolutions not adopted by the Audit Committee but adopted by more than two thirds of all the Directors
The 10th meeting of the third session 2021.02.25	1. The Company's 2020 final accounts and business report.	V	None
	Results of the resolution of the Audit Committee: it was adopted by all members of the Audit Committee without dissent.		
	The Company's treatment on the opinions of the Audit Committee: not applicable.		
The 11th meeting of the third session 2021.05.13	1. Expected cash capital increase handled by the subsidiaries of the Company.	V	None
	Results of the resolution of the Audit Committee: it was adopted by all members of the Audit Committee without dissent.		
	The Company's treatment on the opinions of the Audit Committee: not applicable.		
The 12th meeting of the third session 2021.08.12	1. The Company's consolidated financial statements for the second quarter of 2021.	V	None
	2. New increase of fund loans between the subsidiaries of group.	V	None



Audit Committee	Contents of Proposals and Subsequent Treatment	Items listed in Article 14-5 of the Securities and Exchange Act:	Resolutions not adopted by the Audit Committee but adopted by more than two thirds of all the Directors
	3. Amendments to the Company's "Internal Control System" and relevant measures	V	None
	Results of the resolution of the Audit Committee: it was adopted by all members of the Audit Committee without dissent.		
	The Company's treatment on the opinions of the Audit Committee: not applicable.		
The 13th meeting of the third session 2021.11.12	1. Amendments to the relevant operating measures of the Company's "Internal Control System."	V	None
	Results of the resolution of the Audit Committee: it was adopted by all members of the Audit Committee without dissent.		
	The Company's treatment on the opinions of the Audit Committee: not applicable.		
The 14th meeting of the third session 2021.12.23	1. Audit plan for 2022.	V	None
	2. Fund loan limit between inter-group companies in 2022.	V	None
	3. Purchase of short-term derivatives by subsidiaries in 2022.	V	None
	4. Appointment and remuneration of certified public accountants of the group in 2022.	V	None
	Results of the resolution of the Audit Committee: it was adopted by all members of the Audit Committee without dissent.		
	The Company's treatment on the opinions of the Audit Committee: not applicable.		

- (2) Except for the previous items, other items that had not been adopted by the Audit Committee but had been agreed by more than two-thirds of all the Directors: none.
2. For implementation of avoidance of interests related to the proposals by the Independent Directors, the name of the Independent Directors, contents of proposals, reasons for avoidance of interests and voting situation should be stated: no such situation.
3. Communication between the Independent Directors and the head of internal audit and certified public accountants (including major items, methods and results of communication on the Company's financial and business conditions):
- (1) The head of internal audit of the Company regularly (once each quarter) conducted audit business reports and discussions with the Independent Directors to submit the audit report results and the implementation of the follow-up report. When the meeting

of the Audit Committee was held, the head of internal audit should attend and report as a nonvoting delegate;

Date	Communication items	Suggestions and results
2021.02.25 Audit Committee	1. Audit business execution report of the group for January 2021	No objection
	2. Audit business execution report of the subsidiaries for 2020	No objection
	3. Description for 2020 self-assessment result report	No objection
	4. Description for promotion of key points of corporate governance (including 3-year blueprint)	No objection
2021.05.13 Audit Committee	1. Audit business execution report of the group for February to March 2021	No objection
2021.08.12 Audit Committee	1. Audit business execution report of the group for the second quarter of 2021	No objection
	2. Audit business execution report of the subsidiaries for the first half of 2021	No objection
2021.11.12 Audit Committee	1. Audit business execution report of the group for the third quarter of 2021	No objection
	2. Description for corporate governance promotion and execution for the first half of 2021	No objection
2021.12.23 Audit Committee	1. Audit business execution report of the group for October to November 2021	No objection
	2. Audit business execution report of the subsidiaries for the second half of 2021	No objection

- (2) The head of internal audit should hold an audit workshop at least once a year (the audit workshop had been held on May 13, 2021) to communicate and discuss the internal control system, internal audit, corporate governance, operational risk management and other contents; therefore, the communication between the Independent Directors and the head of internal audit of the Company was still good.

Communication of the head of audit with the Independent Directors in a separate meeting in 2021

Date	Attendants	Communication items	Suggestions and results
2021.05.13 Audit Workshop	The Independent Directors, Wen-Chao Wang, Tung-Hsiung Hung, Yin-fei Liu, and the head of audit, Xiao-Jun Wang	1. Description for key points of corporate governance evaluation in 2021	No objection
		2. Description for current situation and planning of audit organization in 2021	No objection
		3. Description for key points and planning of audit in 2021	No objection

- (3) The certified public accountants of the Company and the Independent Directors, communicated the audit and review results of the current quarter's financial statements (including consolidated financial statements) and other items as required by the relevant

laws and regulations in the meeting of the Audit Committee. In addition to discussing the audit or review results of the annual and quarterly financial reports, key audit items and other items as required by the securities and tax laws and regulations, they fully exchanged views and gave suggestions on the topics communicated with the management unit.

Date	Attendants	Communication items	Communication results
2021.02.25 Pre-meeting of the Audit Committee	Independent Director Wen-Chao Wang Independent Director Tung-Hsiung Hung Independent Director Yin-Fei Liu Certified public accountant Heng-Sheng Lin	The CPA made a report on the audit results of key audit items and explained the flexible procedures for not being able to go to premises of overseas subsidiaries to conduct the auditing in 2020 due to the influence of COVID-19. The discussion and communication were good.	No objection
2021.05.13 Pre-meeting of the Audit Committee	Independent Director Wen-Chao Wang Independent Director Tung-Hsiung Hung Independent Director Yin-Fei Liu Certified public accountant Heng-Sheng Lin	The CPA made the report on the items found in the review of the first quarter's reports and the update of important laws and regulations, and discussed and communicated problems with participants. The communication was good.	No objection
2021.11.12 Pre-meeting of the Audit Committee	Independent Director Wen-Chao Wang Independent Director Tung-Hsiung Hung Independent Director Yin-Fei Liu Certified public accountant Heng-Sheng Lin	The CPA explained the 2021 key audit items, the relevant provisions newly increased for the reporting of annual self-disclosure of financial information by listed and OTC companies, and the corporate governance 3.0 – future development trend of strengthening the ESG information disclosure of the listed and OTC companies, so as to improve the corporate governance ability of the Company. The communication was good.	No objection

- (4) The Independent Directors had fulfilled the obligation of perfect supervision with respect to the proper representations of the Company's financial statements and the compliance of the Company with relevant laws and rules.
4. The Supervisors' participation in the operation of the Board of Directors: after the shareholders' meeting on June 13, 2013, the Company established the Audit Committee to replace the functions and powers of supervisors, so it was not applicable.

iii. Deviation and causes of deviation of the Company's actual governance from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
i. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has established its own "Corporate Governance Code of Conduct" based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," and implemented them with the board of directors' approval on November 4, 2014. This policy is revised in a timely manner to conform with legal requirements; the most recent revision was approved by the board on December 25, 2018 and has been disclosed on: (1) Company website ( <a href="https://www.edison-opto.com/important-rules-and-regulations/">https://www.edison-opto.com/important-rules-and-regulations/</a> ) (2) Market Observation Post System ( <a href="https://mops.twse.com.tw/mops/web/t100sb04_1">https://mops.twse.com.tw/mops/web/t100sb04_1</a> )	No material deviation is found
ii. Shareholding structure and shareholders' interests				
(i) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	V		(一) The Company has implemented a spokesperson and acting spokesperson system to handle related issues, as required by laws. The Company has also set up contact windows and grievance channels on the Investors section of its website. <a href="mailto:investor@edison-opto.com.tw">Mail box for investor relations is investor@edison-opto.com.tw</a> .	No material deviation is found
(ii) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(二) The Company is constantly informed of changes in directors' and major shareholders' shareholding position, and the identity of its ultimate controller.	No material deviation is found
(iii) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(三) The Company has set up clear boundaries to distinguish between its responsibilities and those of the affiliates, and implemented "Related Party Transaction Management Policy," "Transaction Procedures for Group Affiliates, Special Entities, and Related Parties," and "Asset Acquisition and Disposal Procedures" for governance. All related party transactions are handled according to relevant laws and the internal control system.	No material deviation is found
(iv) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(四) The Company has implemented "Insider Trading Management Procedures" to prevent insider trading. 1. Directors, managers, and employees are subjected to awareness enhancement on "Insider Trading Management Procedures" and relevant regulations; details of this procedure have been published on the Company's website. 2. In addition to annual awareness campaigns, the Company has created an "e-College" under the Employees section of the corporate intranet that offers online "Insider Trading Prevention" courses for all employees. Existing employees may access the courses at any time to learn new knowledge, whereas new employees are introduced to the concept during orientation. 3. The Company conveys awareness on an unscheduled basis using EMAIL.	No material deviation is found
iii. Composition and responsibilities of board of directors				

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(i) Has the board devised and implemented policies to ensure diversity of its members?	V		(i) <ol style="list-style-type: none"> <li>1 The board of directors passed the establishment of "Corporate Governance Code of Conduct" during the meeting held on November 4, 2014, and the diversity guidelines were mentioned in Chapter 3 - Enhancement of Board Function. Nomination and selection of board members are carried out according to the Articles of Incorporation, using the candidate nomination approach that takes into consideration the career and academic backgrounds of each candidate, the nature of the Company's operations, growth requirements, and stakeholders' opinions. This process observes the "Director and Supervisor Election Policy" and "Corporate Governance Code of Conduct" to ensure diversity and independence of board members.</li> <li>2 Amongst the 8 members onboard, the 7th board of directors: 2 of whom are female (representing 1/4 of director seats); 5 of whom have extensive experience in LED and lighting; 4 of whom are skilled in treasury investments and financial analysis; 2 of whom are familiar with regulations; and the 3 independent directors individually specialize in LED packaging &amp; lamps, treasury investment/analysis, and legal fields. The board as a whole contributes extensive knowledge in LED, accounting, and legal professions that are extremely beneficial to the Company in terms of LED technology, compliance, and business risk management. All board members possess the knowledge, skills, and character needed to execute their duties:</li> </ol>	No material deviation is found

Assessment criteria	Actual governance													Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies				
	Yes	No	Summary															
			<div></div>	Basic composition						Industry experience			Professional capabilities					
				Nationality	Gender	Concurrent employment at the Company	Age			Terms and years as independent director	LED	Lamp and lighting	Asset management	Treasury investment	Familiarity with regulations and laws	Operational judgment	Risk Management	
							40 and below	41 to 60	61 and above									
				Jason Wu	The Republic of China	Male		V				V	V	V			V	V
				Wen-Ruei Cheng	The Republic of China	Male	V	V				V	V	V			V	V
				Rong Wang	The Republic of China	Female		V					V	V	V			V
				Po-Chung Wang	The Republic of China	Male		V				V	V	V			V	V
				Nan-Yang Wu	The Republic of China	Male			V			V	V	V	V	V	V	V
				Wen-Chao Wang	The Republic of China	Male			V		V	V	V	V	V		V	V
				Tung-Hsiung Hung	The Republic of China	Male			V		V			V		V		V
				Yin-Fei Liu	The Republic of China	Female			V		V			V	V	V	V	V
				3 25% of board members held concurrent positions as employee (lower than 33% in the previous board); independent directors represent 38% of director seats (higher than 33% in the previous board); and female directors represented 25% of director seats (higher than the 11% in the previous board). All 3 independent directors were newly elected on June 18, 2019 and had served for less than 3 years; one of the directors aged 61 and above, whereas 6 directors aged 41-60 and one director aged 40 and below. The Company values gender equality of its board members, and requires female director(s) to account for at least 25% of director seats. Following the addition of one female director, the 7th board of directors has met the above requirement.														
				4 The Company has devised policy to promote diversity of its board members and disclosed this policy on website and on MOPS.														
				(ii)	Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?			(ii)	Aside from assembling a Remuneration Committee (as required by law) and an Audit Committee (voluntarily ahead of legal requirements), the Company has no other functional committee and has assigned corporate governance responsibilities to accountable departments. The Company will assemble other functional committees according to legal and practical requirements in the future.	As explained in the summary								

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(iii) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluations on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation and nomination decisions?		V	<p>(iii) The Company passed its Board of Directors Performance Evaluation Policy on April 28, 2015 and later revised on August 4, 2020. The policy requires performance valuation to be performed on the board, individual board members, the Audit Committee, and the Remuneration Committee at least once a year. The board is required to complete internal performance assessment for the current year before the end of the first quarter of the following year.</p> <p>The Company had completed 2021 performance assessment for the board of directors, individual board members, the Audit Committee, and the Remuneration Committee in mid-February 2022; outcomes of the assessment and improvements for 2022 were reported during the board of directors meeting held on February 24, 2022. Performance assessment of the board of directors covers the five main aspects below:</p> <ol style="list-style-type: none"> <li>1. Level of participation in the Company's operations.</li> <li>2. Improvement of board decision quality.</li> <li>3. Composition of the board of directors.</li> <li>4. Election and continuing education of directors.</li> <li>5. Internal control.</li> </ol> <p>Directors' individual performance assessment covers the following six main aspects:</p> <ol style="list-style-type: none"> <li>1. Comprehension of the Company's targets and missions.</li> <li>2. Directors' duty awareness.</li> <li>3. Level of participation in the Company's operations.</li> <li>4. Management and communication of internal relations.</li> <li>5. Professionalism and ongoing education of directors.</li> <li>6. Internal control.</li> </ol> <p>Assessment of functional committee (Audit Committee and Remuneration Committee) performance covers the following five main aspects:</p> <ol style="list-style-type: none"> <li>1. Level of participation in the Company's operations.</li> <li>2. Awareness towards duties of the functional committee.</li> <li>3. Improvements to the quality of decisions made by functional committees.</li> <li>4. Composition of the functional committee and selection of committee members.</li> <li>5. Internal control.</li> </ol> <p>This assessment had proceeded using self-assessment questionnaire, in which the directors were asked to rate how the board, the Remuneration Committee, and the Audit Committee had functioned and their individual participation. Outcome of the above performance evaluation will be taken into consideration when electing and nominating directors. Performance evaluation of individual directors and functional committees will be taken into consideration when compensating individual members. All ratings for 2021 were "Excellent and above," indicating good performance. For recommendations and improvements on board of directors and functional committee performance, please refer to the annual report: 3. Corporate governance (1)4. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method, and details of board performance self (or peer) evaluations performed, and complete Execution of Board Performance Evaluation:</p>	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																	
	Yes	No	Summary																																		
(iv) Are external auditors' independence assessed on a regular basis?	V		<div><div>(iv) The Audit Committee duly evaluates independence and competence of the financial statement auditor on a yearly basis, and presents assessment result to the board of directors. The most recent assessment was passed by the Audit Committee on February 24, 2022 and reported to the board of directors on February 24, 2022. The assessment covered a total of 10 criteria:</div><table><tr><th>Assessment criteria</th><th>Assessment result</th><th>Compliance of independence</th></tr><tr><td>(1) As of the most recent audit, there was no incident where CPA was not reappointed for 7 years</td><td>Yes</td><td>Yes</td></tr><tr><td>(2) CPAs do not have any financial stake and inappropriate relationship with the client</td><td>Yes</td><td>Yes</td></tr><tr><td>(3) CPAs shall instruct their assistants to be honest, fair, and independent</td><td>Yes</td><td>Yes</td></tr><tr><td>(4) CPAs did not audit financial statements of companies they were formerly employed under during the two years prior to practice</td><td>Yes</td><td>Yes</td></tr><tr><td>(5) CPAs do not hold shares in the Company and affiliated enterprises, and are not related to the Company's management personnel in any relationship characterized as spouse, direct blood relative, relative by affinity, or relative of 2nd degree or closer</td><td>Yes</td><td>Yes</td></tr><tr><td>(6) CPAs neither borrow nor lend money with the Company and affiliated enterprises, and do not charge commission for any service offered</td><td>Yes</td><td>Yes</td></tr><tr><td>(7) CPAs do not concurrently hold permanent positions at the Company or affiliated enterprises, for which they are compensated with regular salary</td><td>Yes</td><td>Yes</td></tr><tr><td>(8) CPAs do not undertake decision-making managerial roles within the Company or affiliated enterprises</td><td>Yes</td><td>Yes</td></tr><tr><td>(9) Do not operate any other business that may compromise independence</td><td>Yes</td><td>Yes</td></tr><tr><td>(10) Free of penalty and conducts that compromise independence</td><td>Yes</td><td>Yes</td></tr></table><div>Assessment outcomes are as follows: Outcomes of assessments conducted in the last two years were reviewed and passed by the board of directors on February 25, 2021 and February 24, 2022. The reports mentioned no finding that indicated the financial statement auditors being incompetent or having compromised independence.</div></div>	Assessment criteria	Assessment result	Compliance of independence	(1) As of the most recent audit, there was no incident where CPA was not reappointed for 7 years	Yes	Yes	(2) CPAs do not have any financial stake and inappropriate relationship with the client	Yes	Yes	(3) CPAs shall instruct their assistants to be honest, fair, and independent	Yes	Yes	(4) CPAs did not audit financial statements of companies they were formerly employed under during the two years prior to practice	Yes	Yes	(5) CPAs do not hold shares in the Company and affiliated enterprises, and are not related to the Company's management personnel in any relationship characterized as spouse, direct blood relative, relative by affinity, or relative of 2nd degree or closer	Yes	Yes	(6) CPAs neither borrow nor lend money with the Company and affiliated enterprises, and do not charge commission for any service offered	Yes	Yes	(7) CPAs do not concurrently hold permanent positions at the Company or affiliated enterprises, for which they are compensated with regular salary	Yes	Yes	(8) CPAs do not undertake decision-making managerial roles within the Company or affiliated enterprises	Yes	Yes	(9) Do not operate any other business that may compromise independence	Yes	Yes	(10) Free of penalty and conducts that compromise independence	Yes	Yes	No material deviation is found
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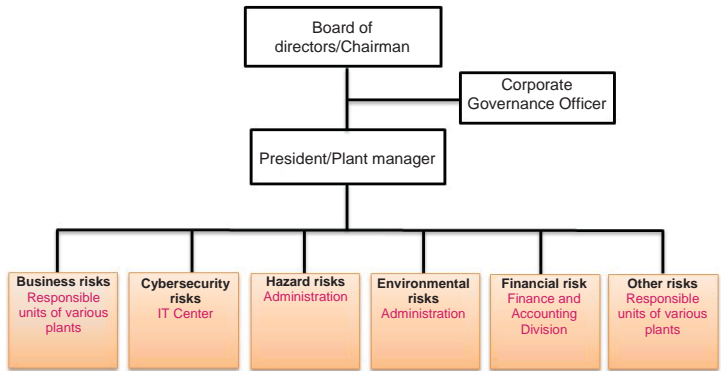


Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
iv. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	V		<p>The Company has assigned its Finance and Accounting Division to undertake concurrent duty of overseeing corporate governance. On May 6, 2019, the board of directors passed the resolution to introduce a corporate governance officer, and the position is currently undertaken by Mr. Cheng-Tien Hsu, the head of Finance and Accounting Division. Hsu meets the requirements of the abovementioned regulation and has more than 10 years of managerial experience in financial affairs of public companies to ensure proper execution of corporate governance duties. Furthermore, Hsu exhibits no history of conflicting interest and violation of internal control system. Corporate governance personnel of the Company are mainly responsible for the following tasks:</p> <ol style="list-style-type: none"> <li>1. Handling of board meeting and shareholder meeting affairs.</li> <li>2. Preparation of board/shareholder meeting minutes.</li> <li>3. Assisting directors with their duties and ongoing education.</li> <li>4. Providing directors with the information needed to perform duties.</li> <li>5. Assisting directors with compliance issues.</li> <li>6. Other tasks specified in Articles of Incorporation or contract.</li> </ol> <p>Key corporate governance tasks completed in 2021:</p> <ol style="list-style-type: none"> <li>1. Company registration and change of registration.</li> <li>2. Matters related to board, functional committee, and shareholder meetings.</li> <li>3. Assisting with board, functional committee, and shareholder meeting minutes and directors' continuing education.</li> <li>4. Setting the date for annual shareholder meeting in accordance with law, and preparing meeting advice, conference handbook, and minutes before the statutory due date.</li> <li>5. Assisting directors with compliance issues.</li> <li>6. Maintaining investor relations and communicating with major shareholders and institutional investors. Four investor seminars were held in 2021 on January 22, May 10, August 10, and November 17 to provide institutional investors and corporate entities with better understanding of the Company's operations.</li> </ol> <p>Education of the corporate governance officer in 2021:</p> <p>Mr. Cheng-Tien Hsu continued to undergo corporate governance-related training throughout 2021, as detailed in page 58 of the annual report. Subsequent updates will be disclosed on the corporate website.</p>	No material deviation is found
v. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		<p>The Company respects stakeholders' interests and regularly identifies stakeholders and engages them in appropriate communication to learn their expectations and needs. By creating a Stakeholders section on website and setting up communication channels such as contact person, FAQ, and opinion box, the Company responds to issues that are of concern to stakeholders, and in doing so protects stakeholders' interests. Stakeholders including shareholders/investors, banks and other creditors, employees, suppliers, customers, community/non-profit organizations, the authority, media, and any party that holds stake in the Company may raise opinions and responses through the Stakeholders section for the protection of their interests. Dedicated personnel have been assigned to oversee each communication channel, and relevant information has been disclosed on the Company's website.</p> <p>(<a href="https://www.edison-opto.com /stakeholder-area/">https://www.edison-opto.com /stakeholder-area/</a>)</p> <p>Issues that are of concern to the different stakeholders listed above are addressed on a yearly basis. Outcomes of the communication are disclosed on website and reported to the board of directors at least once a year. Stakeholder communication in the most recent year was reported to the board of directors on December 23, 2021.</p>	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
vi. Does the Company engage a stock transfer agent to handle shareholder meeting affairs?	V		The Company commissions the Shareholder Service Department of Fubon Securities Co., Ltd. to handle matters relating to shareholder meetings and ownership registration.	No material deviation is found
vii. Information disclosure (i) Has the Company established a website that discloses financial, business, and corporate governance-related information?	V		(一) The Company's website ( <a href="http://www.edison-opto.com">www.edison-opto.com</a> ) has an Investors section that discloses financial, business, and corporate governance-related information.	No material deviation is found
(ii) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the Company website)?	V		(二) The Company has spokesperson and acting spokesperson in place to address queries and needs of investors and shareholders. The Company was invited to participate in investor seminars on January 22, May 10, August 10, and November 17, 2021. Relevant information has been disclosed on Market Observation Post System and the corporate website. The Company has assigned dedicated personnel to gather and disclose information, and to ensure that all information relevant to shareholders' and stakeholders' decisions is adequately disclosed on website.	No material deviation is found
(iii) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?	V		(三) The Company completed the preparation of its 2021 unaudited annual financial statements at the end of January 2022, which were later signed/sealed by the Chairman, President, and Chief Accountant and passed by the board of directors on February 24, 2022 and publication on February 25 (within two months after year-end). 2021 Q1, Q2, and Q3 financial statements were published on May 13, August 12, and November 13, 2021, respectively; all of which were earlier than the statutory due dates stipulated by the authority. Furthermore, monthly operational results were mostly reported before the 5th day of the following month, which were earlier than the due date (the 10th of each month) stipulated by the authority.	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
viii. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	V		<p>Driven by its mission towards innovation, profitability, and mutual benefit, the Company has been able to achieve consistent growth in performance while supporting sustainability values by creating job opportunities and enforcing good corporate governance practices. By maintaining business operations at the optimal state, the Company is able to cater for the interests of all stakeholders at the right balance, and create values to the gains of its shareholders.</p> <p>1. Employees' rights and care to employees: The Company and subsidiaries are motivated by sustainability values, and place great emphasis on employees' wellbeing as they expand and create job opportunities in the society. "Work Rules" have been established to enforce compliance and commercial ethics; an "Employee Welfare Committee" has been assembled to arrange group insurance coverage and other benefits for employees; and "labor-management meetings" are being held regularly to learn employees' needs, discuss employment issues, build consensus, promote bilateral communication, and enhance employment relations. Regular "health checkups," fitness activities, and health seminars are organized to keep employees healthy and informed of relevant health knowledge; domestic/overseas trips and club activities are arranged as a form of stress relief, team-building, and gratitude for employees' service; training courses are held regularly to improve employees' character, skills, and capacity while helping them adapt; and Family Day events are organized on an unscheduled basis to help strengthen family bond and as a gratitude to family members for supporting employees in their work.</p> <p>2. Investor relations: Shareholders' interests are something that the Company values highly upon. In addition to a dedicated investor relations unit, the Company also has an Investors section created on website to bridge communication with its investors. The Company hosts investor seminars on an unscheduled basis, during which it assigns dedicated personnel to answer queries from individual shareholders. Directors, supervisors, and major shareholders take part in the Company's board meetings from time to time, and their involvements provide investors with better understanding of how the Company performs and its development strategies. Financial information is disclosed while observing principles of completeness, immediacy, accuracy, and transparency. Owing to strong business performance in recent years, the Company has been able to deliver excellent results in terms of dividend payout, return on equity, and yields.</p>	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>3. Supplier relations and stakeholders' interests:</p> <p>The Company adopts a corporate culture of "Integrity, Pragmatism, and Modesty," and strictly upholds its duty of commercial morality to suppliers and customers with "customer satisfaction" in mind. All suppliers are required to sign an "Integrity Commitment" as a show of commitment to this mindset, and the Company has reporting hotlines and mail boxes in place to enforce independence. The Company conducts regular "supplier assessments" on key suppliers, and evaluates different aspects of their services including price, quality, technology, delivery, and scope of service while offering appropriate guidance. Through these assessments, the Company is able to manage supply and demand of key parts more effectively to reduce risks. The Company fully understands customers' needs, helps them resolve problems, and strives to deliver more satisfactory products and services.</p> <p>The Company maintains open communication channels with banks, employees, customers, and suppliers, and respects and protects their rightful interests.</p> <p>The Company respects stakeholders' interests and regularly identifies stakeholders and engages them in appropriate communication to learn their expectations and needs. By creating a Stakeholders section on website and setting up communication channels such as contact person, FAQ, and opinion box, the Company responds to issues that are of concern to stakeholders, and in doing so protects stakeholders' interests. Communication with stakeholders is reported to the board of directors at least once a year, and progress of the most recent year was reported during the board of directors meeting held on November 12, 2021.</p> <p>Relevant information has been disclosed on the Company's website: (<a href="https://www.edison-opto.com/stakeholder-area/">https://www.edison-opto.com/stakeholder-area/</a>)</p> <p>4. Directors' and supervisors' ongoing education:</p> <p>All directors of the Company have undergone training according to policies; please see "Directors' education" for details.</p> <p>5. Risk management policies and risk assessment standards</p> <p>(1) The Company has established "Risk Management Policy" and "Risk Management Rules" and implemented them with approvals sought from the board of directors on May 12, 2020 to serve as the ultimate risk management guidelines. Together, they cover everything related to risk management from organization, accountability, scope to operating procedures, and enable the Company to effectively identify, measure, and control risk exposures within tolerable levels.</p> <p>(2) The Company risk management efforts cover six main categories of risk, namely: "Business risks," "Cybersecurity risks," "Hazard risks," "Environmental risks," "Financial risks," and "Other risks." Risk management organization is structured by taking a response-oriented approach. Accountable risk units have been created for each category of risk mentioned above; each accountable risk unit is responsible for implementing appropriate risk measurements (quantitative and non-quantitative), thresholds, and standards to evaluate the frequency of risk incidents as well as the severity of impact on operations, so that risk management measures can be taken in response.</p>	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(3) Organizational structure</p>  <pre> graph TD     A[Board of directors/Chairman] --- B[Corporate Governance Officer]     A --- C[President/Plant manager]     C --- D[Business risks Responsible units of various plants]     C --- E[Cybersecurity risks IT Center]     C --- F[Hazard risks Administration]     C --- G[Environmental risks Administration]     C --- H[Financial risk Finance and Accounting Division]     C --- I[Other risks Responsible units of various plants] </pre> <p>(4) Progress is reported to the board of directors on a regular basis (at least once a year). Execution and outcomes of risk assessment were last reported to the board of directors on November 12, 2021. Relevant information has been disclosed on the Company's website:</p> <p>6. Customer policy The Company provides customized design and manufacturing services, and prides itself for being able to satisfy customers with perfect solutions in various lighting applications while catering for the four most important elements of LED lighting (thermal, electrical, mechanical, and lighting). The Company has transparent and effective customer complaint procedures in place to support the products and services offered. Customer satisfaction surveys are conducted on a yearly basis to gather customers' opinions and feedbacks, and thereby enhance customer relations.</p> <p>7. Liability insurance for directors The Company purchases liability insurance from Fubon Insurance Co., Ltd. to cover all directors and managers for a sum of US\$5 million. The duration of coverage lasted: December 10, 2020 to December 10, 2021; it was arranged in an attempt to enhance board functionality, and has been renewed upon maturity for a sum of US\$5 million to cover the period from December 10, 2021 to December 10, 2022. All details of the insurance policy including sum assured, scope of coverage, and premium rate were approved during the 19st meeting of the 7th board of directors convened on November 12, 2021.</p> <p>8. Intellectual property management plan The Company has devised an intellectual property strategy that takes into consideration its operational goals and R&amp;D resources, and implemented an intellectual property management system that aims to create values, protect business secrets, enhance competitive advantages, and improve profitability.</p> <p>(1) Intellectual property strategy The Company targets vehicle, commercial, and industrial lighting as the primary segments, and its intellectual property strategy mainly focuses on acquiring high-quality patents that are relevant to supporting its main product portfolio, and using patents as defense for product value and as means of gaining customers' trust. The Company also plans to claim R&amp;D-related tax credits and subsidies through patent acquisition, which in turn raises profitability while supporting operational goals.</p>	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(2) Intellectual property management system The Company has been developing intellectual property-related policies and systems since 2013, and has implemented "Intellectual Property Management Policy," "Patent and Trademark Application Policy," and "Reward Policy for Intellectual Property and Design Competitions" to date. In 2021, the Company implemented "Package Label and Trademark Management Policy" to support finished goods and customization. The "Reward Policy for Intellectual Property and Design Competitions," in particular, introduces the use of rewards to encourage innovation and development of invention patents, raise the quality and quantity of intellectual property rights proposals, and ensure optimal execution of intellectual properties. Dedicated personnel have been assigned to oversee the list of intellectual properties held on hand and the pipeline. Business secret, too, presents another critical control point, for which the Company has created online courses on business secrets management and made them accessible to employees over "e-College." Through creation, promotion, and execution of the above systems, the Company is able to protect its R&amp;D outcomes and secure technological leadership over peers.</p> <p>(3) Possible intellectual property risks and response measures Edison Group cooperates with world-renowned business partners including: IC suppliers Samsung, Bridgelux, Epistar, San'an Optoelectronics, and Epileds and phosphor suppliers Mitsubishi and Intematix. It actively manages suppliers' IP to avoid risk of patent infringement. Dedicated personnel have been assigned to plan and maintain LED-related patents throughout the world, and to acquire patents that support the group's key products, including general lighting, vehicle lighting, horticulture lighting, and infrared sensors.</p> <p>(4) Intellectual property list or progress Edison Group has so far acquired 190 patents including 40 invention patents that are mostly registered in Europe, USA, and Mainland China. By acquiring new technologies, the Company aims to avoid risk of patent infringement. AC, laser module, and UVC are the main categories of patents that the Company has paid particular attention to. AC: The Company has filed applications for 41 patents, nearly 50% of which were invention patents, and a total of 37 were approved as of December 2021. Laser module and UVC: The Company has filed applications for 37 patents, and a total of 34 were approved as of December 2021.</p> <p>(5) Progress The Company had reported its intellectual property plan and execution to the board of directors on November 12, 2021. The Company organized the following awareness and training programs relating to intellectual property rights in 2021: March - seminar on business secrets; September - promotion of Intellectual Property Management Policy and patent awareness, and training on patent infringement and patent application; early November - awareness on use of licensed software in Mainland China, and notes on customer trademark licensing and customs declaration.</p> <p>9. Cybersecurity risk management framework (1) Cybersecurity responsibilities and training The IT Center oversees cybersecurity within the Company. All resigned and transferred employees will have system access canceled and restricted according to procedures. The Company promotes internal cybersecurity awareness and conducts cybersecurity checks on a yearly basis; outcomes of which are circulated to the Chairman.</p>	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(2) Internet security control: The Company has set up firewalls to control transmission and access of data outside the organization. Virus codes are regularly updated at terminals and are centrally controlled established.</p> <p>(3) Cybersecurity response: The Company examines emergency response plans on a regular basis and organizes annual drills to ensure the effectiveness of data recovery procedures. A backup mechanism has been implemented, thereby allowing data and systems to be covered in the shortest time possible if an incident occurs.</p> <p>(4) Data access control: Addition and change of access to application systems are carried out according to the procedures outlined in the IT Cycle. Each department is granted different access rights depending on their duties and functions.</p> <p>10. Cybersecurity policy The Company has implemented Computer System Cycle and cybersecurity rules to enforce cybersecurity management. The IT Center oversees execution of cybersecurity tasks and operates with the following goals in mind:</p> <ul style="list-style-type: none"> <li>A. To maintain integrity and usability of data.</li> <li>B. To ensure that data is accessed by departments within their duties and functions.</li> <li>C. To prevent unauthorized use of data and system.</li> <li>D. To reduce intrusion risk for the Company's networks and systems.</li> <li>E. To prevent inappropriate use of network resources.</li> <li>F. To apply strict controls in accordance with the Personal Data Protection Act over access of any system where personal data is stored.</li> </ul> <p>(1) Management solutions The Company has adopted the following cybersecurity management actions to minimize cybersecurity risks and ensure that abnormalities are resolved and operations resumed in the shortest time possible when an incident occurs:</p> <ul style="list-style-type: none"> <li>A. External risk preventions: firewalls for filtering external access and blocking intrusions; spam filters for blocking social engineering mails; dual factor authentication for remote office sign-in.</li> <li>B. Equipment management and protection: update of antivirus software, operating system vulnerability scan and enhancement, continuous monitoring of cybersecurity trends, and timely responses and training.</li> <li>C. Response and recovery: establishment of system backups and recovery drill, and implementation of response plans (for hacker intrusion, power outage etc.).</li> </ul> <p>(2) 2021progress:</p> <ul style="list-style-type: none"> <li>A. The IT Center examined the cybersecurity policy regularly, and made a report to the board of directors on November 12, 2021 concerning evaluation of the cybersecurity risk management framework, the cybersecurity policy, cybersecurity risks, and outcomes of existing management measures.</li> <li>B. Considering that cybersecurity is a new risk category, the Company had temporarily forgone cybersecurity insurance in light of the ongoing pandemic and the costs and yields associated with the new insurance. Nevertheless, the Company had undertaken the three management solutions and preventive measures mentioned above to effectively reduce cybersecurity risks amidst the new challenge.</li> <li>C. The Company did not fall victim to hacker attack or encounter any cybersecurity incident in 2021 that impacted operations.</li> </ul>	



Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
ix.	Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.			
(i)	The Company scored 85.97 during Taiwan Stock Exchange Corporation's 7th (2020) corporate governance evaluation, down from the 90.43 attained in the 6th (2019) evaluation but still managed to maintain same ranking in the top 6%-20% tier among TWSE-listed companies. With respect to the scoring indicators, the Company made improvements to "Board structure and functionality" and "implement corporate social responsibility" in 2020, and will continue seeking balanced improvement on all five aspects in the future out of respect for sound corporate governance.			
(ii)	<p>Improvements made in 2021:</p> <ol style="list-style-type: none"> <li>1. Annual financial reports are published within two months after the end of each financial year.</li> <li>2. The Company convened annual general meeting before the end of May.</li> </ol> <p>Expected improvements in 2022:</p> <ol style="list-style-type: none"> <li>1. To upload shareholder conference handbook and supplementary information in English 30 days before annual general meeting.</li> <li>2. To upload English annual report 16 days before annual general meeting.</li> <li>3. To disclose future R&amp;D plans and expected expenses in annual reports.</li> <li>4. To continue enhancing corporate governance practices and implementing robust governance policies.</li> </ol>			
(iii)	All directors had completed the required training hours stipulated in "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" in 2021. For more information, please see (8) Other information material to the understanding of corporate governance within the Company.			
(iv)	The Company schedules regular board meetings ahead of time each year. Directors who are unable to attend the scheduled meeting may communicate on the proposed motions in advance and present opinions through the use of proxy form. If there is a need to reschedule the date of board meeting at the last minute, the Company would try to arrange a time when all board members are able to attend for the highest attendance rate.			



iv. Composition, responsibilities and operation of the Remuneration Committee:

1. Information about members of the Remuneration Committee

Type of identity (Note 1)	Qualifications	More than five years of work experience and the following professional qualifications			compliance with independence (Note 2)										Number of other public companies in which they served as members of the remuneration committee	Remarks
		Lecturers or above in public and private colleges and universities with relevant qualification required for commerce, legal affairs, finance, accounting or company business	Judges, prosecutors, attorneys, accountants, or other professional and technical personnel who have passed the national examination required for the Company's business	Working experience in commerce, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8	9	10		
Independent director	Wen-Chao Wang			V	V	V	V	V	V	V	V	V	V	V	0	
Independent director	Tung-Hsiung Hung		V		V	V	V	V	V	V	V	V	V	V	1	
Independent director	Yin-Fei Liu		V		V	V	V	V	V	V	V	V	V	V	2	

Note 1: Please fill in whether he was a director, an independent director or others in the type of identity, respectively.

Note 2: If each member met the following conditions two years before election and during his tenure, please mark "✓" in the space below each condition code.

- (1) Not the employees of the Company or its affiliated enterprises.
- (2) Not directors or supervisors of the Company or its affiliated enterprises (unless they were independent directors established by the Company or its parent company or subsidiaries in accordance with the Law or local laws and regulations of another country).
- (3) Not themselves and their spouses and minor children nor a natural person shareholder who held more than 1% of the total issued shares of the Company in the name of others or was one of the top 10 shareholders of the Company.
- (4) Not the Managers listed in (1), nor spouses, relatives within the second degree of kinship or immediate blood relatives within the third degree of kinship of the personnel listed in (2) and (3).
- (5) Not directors, supervisors or employees of a corporate shareholder who directly held more than 5% of the total issued shares of the Company, or was one of the top five shareholders of the Company, or appointed representatives to act as the Directors or the Supervisors of the Company in accordance with Paragraph 1 or 2 of Article 27 of the Company Act (unless they were independent directors established and could be concurrently appointed by the Company and its parent company or subsidiaries or subsidiaries under the same parent company in accordance with the Law or local laws and regulations of another country).
- (6) Not directors, supervisors or employees of another company controlled by a same person who had the seat of the Directors or more than half of voting shares of the Company (unless they were independent directors established and could be concurrently appointed by the Company and its parent company or subsidiaries or subsidiaries under the same parent company in accordance with the Law or local laws and regulations of another country).
- (7) Not directors (members of a council), supervisors (watchdogs) or employees of another company or an institution which were the same person with or spouse of the Chairman, General Manager or a person holding an equivalent position of the Company (unless they were independent directors established and could be concurrently appointed by the Company and its parent company or subsidiaries or subsidiaries under the same parent company in accordance with the Law or local laws and regulations of another country).
- (8) Not directors (members of a council), supervisors (watchdogs), managers or shareholders holding more than 5% of the issued shares of a specific company or institution which had financial or business dealings with the Company (unless the specific company or institution held more than 20% but less than 50% of the total issued shares of the Company, and they were independent directors established and could be concurrently appointed by the Company and its parent company or subsidiaries or subsidiaries under the same parent company in accordance with the Law or local laws and regulations of another country).
- (9) Not proprietors, partners, directors (members of a council), supervisors (watchdogs), managers and their spouses of professionals, sole proprietorships, partnerships, companies or institutions which provided the Company or its affiliated enterprises with audit services, or commerce, legal, financial, accounting and other related services, the aggregate amount of remuneration received from which was less than NT\$500,000, in the past two years. However, members of the Remuneration Committee, the Public Takeover Review Committee, or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act shall not be subject to the limits.
- (10) Did not have any of the circumstances as specified in the Paragraphs of Article 30 of the Company Act.

2. Information about the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company had 3 members, all of whom were held by the Independent Directors
- (2) The tenure of the current members: the tenure of the fourth session of the Remuneration Committee was from June 18, 2019, to June 17, 2022. In the most recent year (2021), the Remuneration Committee held two meetings (A) in total. The qualifications and attendance of the members were shown as follows:

Position	Name	The number of actual attendances (B)	Number of attendances by proxy (A)	Actual attendance rate (%) (B / A) (Note)	Remarks
Convener	Wen-Chao Wang	2	0	100%	
Committee member	Tung-Hsiung Hung	2	0	100%	
Committee member	Yin-Fei Liu	2	0	100%	

Other items which should be recorded:

1. If the Board of Directors did not adopt or amended the recommendations of the Remuneration Committee, it should state the date and session of the meeting of the Board of Directors, contents of proposals, resolution results and the Company's treatment on the opinions of the Remuneration Committee (if the remuneration adopted by the Board of Directors was better than the one recommended by the Remuneration Committee, it should state the difference and reasons): no such situation.
2. If the members of the Remuneration Committee had objections or reservations and had records or written statements, they should state the date and session of the meeting of the Remuneration Committee, contents of proposals, opinions of all the members and treatment on the opinions of members: no such situation.

Note: (1) if a member of the Remuneration Committee left before the end of a year, the date of his resignation should be indicated in the remark column. The actual attendance rate (%) was calculated based on the number of meetings of the Remuneration Committee and his actual attendances during his tenure.

(2) Before the end of the year, if any member of the Remuneration Committee was re-elected, the new and former members of the Remuneration Committee should be filled in, and the information that the member was formerly elected, newly elected or continuously elected and the re-election date should be indicated in the remark column. The actual attendance rate (%) was calculated based on the number of meetings of the Remuneration Committee and their actual attendances during their tenure.

### (3) Regular review of salary and remuneration

The function of the Remuneration Committee of the Company was to assess the salary and remuneration policies and systems for the Directors and Managers of the Company in a professional and objective position. It met at least twice a year and may hold meetings at any time as necessary to make recommendations to the Board of Directors for reference upon its decision-making.

#### A. Functions and powers of the Remuneration Committee of the Company

- (a) To regularly review the remuneration measures of the Company and make suggestions for amendment.
- (b) To formulate and regularly review the policies, systems, standards and structure of the performance and salary and remuneration of the Directors and Managers of the Company.
- (c) To regularly evaluate the salary and remuneration of Directors and Managers of the Company.

#### B. When the Remuneration Committee performed its functions and powers, it should follow the following standards:

- (a) The remuneration management should conform to the remuneration concept of the Company.
- (b) The performance assessment on and salary and remuneration of the Directors and Managers should refer to the general level of payment in the industry, and consider the rationality of the connection between personal performance and the Company's operating performance and future risks.
- (c) The Directors and Managers should not be guided to be engaged in any acts beyond the risk appetite of the Company in pursuit of remuneration.
- (d) The proportion of dividends paid to the Directors and senior Managers for short-term performance and the payment time of some changeable remuneration should be decided by considering the characteristics of the industry and the nature of the Company's business.
- (e) The members of the Remuneration Committee should not participate in the discussion and voting on their personal remuneration decisions.

(4)The date and session of the meeting of the Remuneration Committee, contents of proposals, resolution results and the Company's treatment on the opinions of the Remuneration Committee in the most recent year:

Remuneration Committee	Contents of Proposals and Subsequent Treatment	Resolution results	The Company's treatment on the opinions of the Remuneration Committee
The 4th meeting of the 4th session (2021.02.25)	<ol style="list-style-type: none"> <li>2020 achievement and assessment results of performance objectives of the Directors and Managers.</li> <li>Remuneration distribution to employees, Managers and Directors of the Company in 2020.</li> </ol>	All the members of the Remuneration Committee agreed to adopt	Submitted to the Board of Directors and adopted by all the Directors present
The 5th meeting of the fourth session (2021.12.23)	<ol style="list-style-type: none"> <li>The Company's 2021 Manager's bonus proposal.</li> </ol>	All the members of the Remuneration Committee agreed to adopt	Submitted to the Board of Directors and adopted by all the Directors present

Other items which should be recorded:

1. If the Board of Directors did not adopt or amended the recommendations of the Remuneration Committee: none.
2. If the members had objections or reservations on the resolutions of the Remuneration Committee and had records or written statements: none.
3. The Company adjusted the employees' salary every year with reference to the market salary level and economic trend, and according to the Company's operating performance and personal performance. In the past, the salary adjustment range was higher than the increase of market salary in order to narrow the gap between the market salary and the benchmark salary of the Company. However, the current gap had been narrowed. Therefore, the annual salary adjustment range was recommended to be set at the increase of market salary, and the changeable bonus was provided as a tool for incentive reward; in addition, when the employees were promoted, their salary would also be immediately adjusted to encourage and retain outstanding talents.

(V)Enforcement of sustainable development: The Company's policies, measures, and fulfillment towards environmental protection, community engagement, society contribution, social services, public interests, consumers' rights, human rights, safety, health and other social responsibilities.

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
一、Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress?	V		<p>The Company's "General Administrative Division" serves as the governing framework for sustainable development, and assumes the concurrent duty of enforcing sustainable development. The division is responsible for the proposal and execution of corporate social responsibility policies, systems, management actions, and enforcement plans; it continually examines CSR practices and compliance within the Company, and is devoted to promoting CSR awareness. Any major violation or concern of material harm to the Company will be reported to independent directors in writing immediately upon discovery, and brought to attention in the upcoming Audit Committee and board of directors meetings.</p> <p>(1) Progress is reported to the board of directors at least once a year</p> <ol style="list-style-type: none"> <li>1. CSR report made to the board of directors on November 7, 2017</li> <li>2. CSR report made to the board of directors on November 6, 2018</li> <li>3. CSR report made to the board of directors on November 12, 2019</li> <li>4. CSR report made to the board of directors on November 10, 2020</li> <li>5. CSR report made to the board of directors on November 12, 2021</li> </ol> <p>(2) The Company has assembled 4 teams to support sustainable development; responsibilities and operation of each team are explained below:</p> <ol style="list-style-type: none"> <li>1. <u>Operational Management Team</u>: Business/financial risk and performance, corporate governance/internal audit and control, stakeholder communication, and compliance/ethics and integrity.</li> <li>2. <u>Social Care Team</u>: Community feedback/charity, workers' rights/workplace care, employee salary/benefits, and employee training/talent development and management.</li> <li>3. <u>Environmental Sustainability Team</u>: Energy efficiency/climate change, energy and carbon reduction/gas management, greenhouse gas/industrial waste management, occupational safety and health/environmental risk management.</li> <li>4. <u>Green Product Team</u>: Product planning/product quality, promotion of green product/R&amp;D and technological innovation, green production/reducing pollution from manufacturing, procurement, and supply chain management.</li> </ol>	
二、Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant	V		<p>The Company's "Risk Management Policy" and "Risk Management Rules" were passed during the 8th meeting of the 7th board of directors held on May 12, 2020. By applying principles of materiality on corporate social responsibilities and assessing risks of important issues, the Company has devised the following risk management policies or strategies for environmental, social, and governance issues that are likely to affect its operations, based on the outcomes of the assessment:</p>	No material deviation is found

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies														
	Yes	No	Summary (Note 2)															
to its operations, and implemented risk management policies or strategies based on principles of materiality? (Note 2)			<table><tr><th>Material issues</th><th>Scope of risk assessment</th><th>Risk management policy and strategy</th></tr><tr><td>Environment</td><td>Environmental protection and ecosystem conservation</td><td><div>1. The Company signs contracts with legally established general/industrial waste service providers. The office building is cleaned with resources recycled on a daily basis to enforce environmental protection and reuse. The Company also supports energy and carbon reduction and water resource protection initiatives through action. Toilets are fitted with sensor faucets, and employees are reminded to turn off light when not in use, adopt paperless processes, and conserve use of water. Greenhouse gas and water usage surveys are conducted on a yearly basis, and goals have been set to progressively reduce CO<sub>2</sub> emission and water usage.</div><div>2. All products offered by the Company have complied with product and service regulations imposed by government agencies, and conform with EU RoHS standards to be free of hazardous substances. Products were further certified for Energy-Related Products (ErP) Directive this year to reduce impact of production activities on the environment.</div></td></tr><tr><td rowspan="2">Social</td><td>Occupational safety</td><td>The Company devotes great attention to issues concerning workers' health and healthy work environment. It complies with occupational safety and health regulations by hosting occupational safety and health training courses and "Fire Safety Seminars" on a regular basis. Exclusive parking lots, dormitories, nursing spaces, 24-hour security system, diners etc. have been provided for the comfort and health of employees. The Company recognizes how significantly a healthy workforce contributes to the organization's competitiveness, which is why it arranges regular health checkups and has medical personnel stationed on-site for health management and consultation.</td></tr><tr><td>Product safety</td><td><div>1. All products offered by the Company have complied with local government rules and regulations, obtained certifications (such as BSMI, UL, CE etc.) that are necessary for sale in local regions, and are entirely free of hazardous substances (such as RoHS, REACH etc.). The Company also passes quality management systems to ensure the quality of products and services delivered to customers. Service hotlines and websites are used to communicate with customers for improved satisfaction, and the Company takes initiative in conducting annual satisfaction surveys to enhance business relationship with customers. It is the organization's belief that a mutually beneficial relationship provides the foundation for sustainable development.</div><div>2. In an attempt to transfer product liability risk, minimize property losses, improve product safety, enhance corporate image, and protect consumers as part of corporate social responsibilities, the Company has even purchased global liability insurance on modules and final products for a coverage of US\$2 million (insurance certificate: 70-110-09559062-00005-PDL).</div></td></tr><tr><td>Corporate governance</td><td>Socioeconomics and compliance</td><td>The Company enforces corporate governance according to its internal audit and internal control systems.</td></tr></table>	Material issues	Scope of risk assessment	Risk management policy and strategy	Environment	Environmental protection and ecosystem conservation	<div>1. The Company signs contracts with legally established general/industrial waste service providers. 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Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies																
	Yes	No	Summary (Note 2)																	
impact on the environment?			<p>conversion efficiency, and continually develops advanced power converters that offer high conversion efficiency.</p> <p>The Company uses resources in ways that have the least impact on the environment, including:</p> <ol style="list-style-type: none"><li>1. Recycling and reuse of packaging materials.</li><li>2. Recycling of used paper; printing of drafts and internal documents on used paper; and double-sided printing or multi-page shrink-printing for promotional documents and reports.</li><li>3. Total ban on the use of disposable/plastic utensils. The Company orders custom-made utensil sets made with Grade 304 stainless steel and gives them to employees as an encouragement for taking actions toward reducing energy, carbon, and pollution.</li><li>4. Implementation of an online, digital signature system to reduce the use of paper and promote a paperless office environment.</li><li>5. Implementation of active room temperature control and changing lighting equipment to LED solutions in office and plant areas for energy conservation.</li><li>6. The Company engages professional environmental service providers to recycle and reuse general as well as industrial waste at all plant sites, and therefore prevents secondary pollution and wastage of viable resources.</li><li>7. Signs are being placed in office and plant areas to promote environmental protection awareness, and to serve as reminder for the importance of energy and carbon reduction.</li></ol>																	
(3) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>(3) The Company assesses climate changes for the existing and potential risks and opportunities they have on business operations. Currently, the potential risks identified mainly affect environmental and operational aspects. In May 2020, the Company passed "Risk Management Rules" to include extreme climate change as a management issue. Meanwhile, each department is responsible for implementing energy conservation solutions routinely within their duties.</p> <p>Potential risks and opportunities of climate change on the Company's current and future operations, and response measures for climate-related issues</p> <table><tr><th rowspan="2">Risk category</th><th rowspan="2">Climate change issue of concern</th><th colspan="2">Potential risks</th><th rowspan="2">Impact on business operations</th><th rowspan="2">Opportunities identified</th><th rowspan="2">Response measures</th></tr><tr><th>Current</th><th>Future</th></tr><tr><td>Environmental risks</td><td>Impact of Typhoon and flood on production activities</td><td><ol style="list-style-type: none"><li>1. Typhoon disrupts power to the plant chiller and causes damage to water tower</li><li>2. Flood disrupts suppliers' production, traffic, and sales activities</li></ol></td><td><ol style="list-style-type: none"><li>1. More frequent extreme weathers &gt; Typhoons</li><li>2. more frequent extreme weathers &gt; heavy rains</li><li>3. climate change that impact supply and shipment</li></ol></td><td><ol style="list-style-type: none"><li>1. Emergency response measures for power outage and equipment damage are being implemented and rehearsed, whereas equipment is being routinely maintained and serviced</li><li>2. The Company has identified 2-3 alternative suppliers for each material and diversified sources of supply to minimize impact</li></ol></td><td><ol style="list-style-type: none"><li>1. Replacement of outdated machinery entitles incentives and energy-saving subsidies from the local government</li><li>2. Floods in Mainland China in 2021 prompted customers to make advance purchases, which increases sales opportunities</li></ol></td><td><ol style="list-style-type: none"><li>1. The Company makes rolling adjustments and reviews response measures to strengthen its resilience against force majeure events. Actions such as replacement of outdated machinery, advance inventory purchase, capacity re-allocation etc</li></ol></td></tr></table>	Risk category	Climate change issue of concern	Potential risks		Impact on business operations	Opportunities identified	Response measures	Current	Future	Environmental risks	Impact of Typhoon and flood on production activities	<ol style="list-style-type: none"><li>1. Typhoon disrupts power to the plant chiller and causes damage to water tower</li><li>2. Flood disrupts suppliers' production, traffic, and sales activities</li></ol>	<ol style="list-style-type: none"><li>1. More frequent extreme weathers &gt; Typhoons</li><li>2. more frequent extreme weathers &gt; heavy rains</li><li>3. climate change that impact supply and shipment</li></ol>	<ol style="list-style-type: none"><li>1. Emergency response measures for power outage and equipment damage are being implemented and rehearsed, whereas equipment is being routinely maintained and serviced</li><li>2. The Company has identified 2-3 alternative suppliers for each material and diversified sources of supply to minimize impact</li></ol>	<ol style="list-style-type: none"><li>1. Replacement of outdated machinery entitles incentives and energy-saving subsidies from the local government</li><li>2. Floods in Mainland China in 2021 prompted customers to make advance purchases, which increases sales opportunities</li></ol>	<ol style="list-style-type: none"><li>1. The Company makes rolling adjustments and reviews response measures to strengthen its resilience against force majeure events. Actions such as replacement of outdated machinery, advance inventory purchase, capacity re-allocation etc</li></ol>	No material deviation is found
Risk category	Climate change issue of concern	Potential risks				Impact on business operations	Opportunities identified				Response measures									
		Current	Future																	
Environmental risks	Impact of Typhoon and flood on production activities	<ol style="list-style-type: none"><li>1. Typhoon disrupts power to the plant chiller and causes damage to water tower</li><li>2. Flood disrupts suppliers' production, traffic, and sales activities</li></ol>	<ol style="list-style-type: none"><li>1. More frequent extreme weathers &gt; Typhoons</li><li>2. more frequent extreme weathers &gt; heavy rains</li><li>3. climate change that impact supply and shipment</li></ol>	<ol style="list-style-type: none"><li>1. Emergency response measures for power outage and equipment damage are being implemented and rehearsed, whereas equipment is being routinely maintained and serviced</li><li>2. The Company has identified 2-3 alternative suppliers for each material and diversified sources of supply to minimize impact</li></ol>	<ol style="list-style-type: none"><li>1. Replacement of outdated machinery entitles incentives and energy-saving subsidies from the local government</li><li>2. Floods in Mainland China in 2021 prompted customers to make advance purchases, which increases sales opportunities</li></ol>	<ol style="list-style-type: none"><li>1. The Company makes rolling adjustments and reviews response measures to strengthen its resilience against force majeure events. Actions such as replacement of outdated machinery, advance inventory purchase, capacity re-allocation etc</li></ol>														



Assessment criteria	Compliance (Note 1)								Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)						
						Arrangements such as split shipment are being implemented		<div>have been adopted.</div> <div>2. Regular disaster prevention training, emergency response team, and recovery plans have been adopted to ensure continuity of business operations if disaster occurs.</div> <div>3. Using insurance coverage, the Company transfers risks and is able to claim compensation for damages of its assets, and thereby mitigate possible losses from extreme climates.</div> <div>4. Establishment of supply chain backup system.</div>	
			Carbon reduction Emission management	<div>1. The energy control policies implemented in Mainland China in an attempt to suppress carbon emission have halted production activities, causing suppliers to suspend supply.</div> <div>2. Excessive power consumption and management of outdated equipment</div> <div>3. The production process uses organic solvents such as acetone and isopropyl alcohol for cleaning purpose, which may give rise to volatile organic compounds (VOCs) and require adequate monitoring and control</div>	<div>1. Increased risk of investing into high-carbon assets</div> <div>2. Increased cost of greenhouse gas emission</div>	<div>1. Energy control policies in Mainland China impact supply and shipment activities</div> <div>2. The Company has been conducting greenhouse gas monitoring and survey since 2014, and has set targets to reduce emission by 5% each year. These targets have all been met to date</div> <div>3. The Company is required to pay VOC surcharge on quarterly emissions that exceed threshold (one metric tonne). Emission is currently under sound control</div>	Replacement of air compressors and energy-intensive machinery presents opportunities for technological upgrade, local subsidy, energy conservation, cost-saving benefits, and production efficiency improvements	<div>1. Green energy and green procurement solutions have been adopted to support the Company's goal of becoming a low-carbon business.</div> <div>2. The new Taiwan headquarters (a factory and office complex) is a silver-grade earthquake-resistant green building equipped with total heat exchanger and CO2 outdoor air control; furthermore, the basement has been designed to recover and store rainwater and condensed water for plant watering of the entire building. These design features help reduce water consumption and increase energy efficiency for lower environmental impact.</div> <div>3. In response to the energy control policies in Mainland China, the Company has been conducting ongoing evaluations and replacing outdated machinery to reduce power</div>	

[illegible]

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
			<p>implemented on three main aspects: air conditioning, electrical lighting, and others. Energy-intensive equipment is being inspected on a regular basis and replaced when appropriate.</p> <p>(2) Water management: Water conservation measures such as use of sensor faucets, reduction of water dispense volume etc. are being implemented to save water.</p> <p>Current progress:</p> <p>(1) CO2 emission intensity in 2021 had reduced by 33% compared to 2017 (the base year).</p> <p>(2) Water intensity in 2021 had reduced by 4.5% compared to 2017 (the base year).</p>	
<p>四、 Social issues</p> <p>(1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	V		<p>(1) The Company respects and supports globally recognized human rights standards including "Universal Declaration of Human Rights," "The UN Global Compact," and "Conventions of International Labor Organization," and prohibits any action that violates human rights. All individuals within and outside the organization are treated fairly with dignity. Our human rights policy encompasses the following commitments:</p> <ol style="list-style-type: none"> <li>1. Recruitment policy: Edison Opto does not use child labor, forced labor, bonded labor, or involuntary labor. Furthermore, the Company enforces diversity and openness of the workplace and offers equal work opportunities without discrimination whether in terms of ethnicity, skin color, age, gender, sexual orientation, illness, disability, nationality, pregnancy, religion, political background, family profile, marital status, or other differences prohibited by laws.</li> <li>2. Respect for human rights at workplace: The Company complies with the requirements of local regulations, such as Labor Standards Act and Act of Gender Equality in Employment, by eliminating all forms of forced labor, employment discrimination, and harassment. The Company respects privacy and is committed to creating a fair, dignified, safe, and equal work environment that is free of discrimination and harassment.</li> <li>3. Reasonable work hours: Work hours are set according to local regulations, and rules on work time and overtime have been clearly outlined.</li> <li>4. Healthy workplace: Employees are given several forms of assistance to maintain health and work-life balance. Health-related seminars are held on a regular basis whereas health checkups and employee care events are organized annually.</li> <li>5. Labor-management communication: Opinion boxes have been made available and labor-management meetings are being held regularly to facilitate communication, so that issues can be resolved for the benefit of both sides.</li> <li>6. Training: Courses have been arranged to train employees on relevant legal knowledge and technical skills. Through internal and external training, employees are given the knowledge and skills needed to grow.</li> </ol>	No material deviation is found
<p>(2) Has the Company developed and implemented reasonable</p>	V		<p>(2) It has been clearly stated in the Company's compensation policy that employees' compensation includes a performance bonus that is calculated based on attainment of performance targets on the organization level. Furthermore, to ensure that business results are shared with employees, it</p>	No material deviation is found

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?			<p>has been stated in the Articles of Incorporation that net profits reported in any given year are subject to employee remuneration of 5%-15%, which the board of directors may resolve to distribute in shares or in cash. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration.</p> <p>The Company has established work rules, attendance policy, and personnel management policy in accordance with Labor Standards Act, and implemented reasonable compensation policy and performance evaluation system that includes the use of performance interview. The outcome of which is taken into account to support decisions such as promotion and remuneration.</p> <p>The Company has implemented its own retirement policy in accordance with "Labor Standards Act" and "Labor Pension Act" to accommodate employees' life after retirement. A Labor Pension Fund Supervisory Committee has also been assembled to oversee management of pension fund, as well as execution of pension contributions and benefits.</p> <ol style="list-style-type: none"> <li>1. Employees who adopt pension rules of the Labor Standards Act shall have years of service compensated using the following standards: two basis points are awarded for every year of service rendered. However, one basis point is awarded for every full year of service rendered beyond 15 years, subject to a maximum of 45 basis points. Services less than six months are counted as one half year, whereas services more than six months are counted as one full year.</li> <li>2. For employees who opted to continue adopting pension rules of the "Labor Standards Act" after the Labor Pension Act came into effect and those who opted to carry forward years of service from before enactment of Labor Pension Act, pension benefits are paid according to the rules outlined in the preceding Subparagraph.</li> <li>3. Employees who opted for pension rules of the Labor Standards Act and are compelled to retire under Subparagraph 2, Paragraph 1, Article 35 shall be given 20% additional pay if their mental or physical disability was caused while performing job duties.</li> <li>4. For employees who are subject to the pension rules of the Labor Pension Act, the Company makes contributions equal to 6% of their monthly salary into their personal pension accounts. Benefit claims are subject to the rules imposed by the authority.</li> </ol> <p>An Employee Welfare Committee has been assembled to promote labor-management relations, unite employees, and cater for employees' benefits. The committee is responsible for the planning and execution of welfare programs, as well as the planning and payment of annual employee benefits. The Company offers the following benefits to employees:</p> <ol style="list-style-type: none"> <li>1. Occasion-based benefit: includes birthday cash, Labor Day cash, Duanwu Festival cash, Mid-autumn Festival cash, new year cash, year-end banquet and lottery.</li> <li>2. Long service reward: employees are given long service rewards upon accumulating 5 years or 10 years of service as a gratitude for their dedication.</li> </ol>	

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
			<p>3. Allowances and subsidies: employees are entitled to a comprehensive range of subsidies from wedding, funeral, child birth, hospitalization, on-job training, children's education, dormitory to car parking lot.</p> <p>4. Work-life balance: the Company values employees' family relations, and organizes activities that employees may engage with family members, such as domestic/overseas group trip, barbecue in forest, mountain cleanup hike, karaoke competition, table tennis tournament, Wii tournament etc. These activities not only relieve employees' stress from work, but also promote stronger unity towards the Company.</p>	
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>(3) The Company provides employees with a safe and healthy work environment according to rules, and has made the following arrangements:</p> <ol style="list-style-type: none"> <li>1. Group omnibus insurance: Each employee is covered by Labor Insurance and National Health Insurance from the day onboard as required by laws. In addition, the Company offers a group omnibus insurance package covering term life, accident, accident treatment, cancer treatment, and critical illness with 100% subsidized premiums to provide employees with more comprehensive protection.</li> <li>2. Employee health checkup: The Company complies with Regulations Governing Worker Health Protection by subjecting employees to bi-annual health checkups and follow-ups. Physicians are invited to provide consultation and interpret reports one-to-one on-site the work premise.</li> <li>3. On-site service by contracted healthcare workers: The Company has contracted healthcare workers to organize health management, occupational illness prevention, and other worker health protection measures in accordance with laws. By the end of October 2021, the Company had completed the following services:  <b>On-site visit by physicians: <u>3 visits/6 hrs</u></b>  <b>On-site visit by nurses: <u>28 visits/56 hrs</u></b>  <b>Total employees served: <u>27</u></b></li> <li>4. Exclusive nursery room: Nursery rooms have been established exclusively for postpartum employees, thereby making the workplace friendly to child bearers.</li> <li>5. Smoke-free workplace: The Company supports the government's smoke-free workplace policy and organizes a series of smoking cessation seminars, competitions, and incentives.</li> <li>6. Premise security: All plant sites are protected with surveillance, access control, and security guards 24 hours a day, including night time and holidays.</li> <li>7. Servicing and cleaning of air conditioners: Service providers have been contracted to clean and service air conditioners on all floors of plant premise each year. Doing so not only increases energy efficiency of the central air conditioning system, but also reduces build-up of dust and fungus inside ventilation ducts to improve office air quality and prevent harm to employees' health.</li> <li>8. Testing of drinking water: Service providers have been contracted to replace filter and service water fountains on a quarterly basis. E. coli count and total bacteria count are tested regularly to ensure that water quality</li> </ol>	No material deviation is found

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
			<p>conforms with legal standards. Test results are posted beside each water fountain for employees' reference.</p> <p>9. Hazard-free work hours: The Company has 183 workers participating in the "Hazard-free Work Hours Campaign" introduced by the Occupational Safety and Health Administration, Ministry of Labor, and accumulated 1,689,180 hazard-free hours between February 2017 and October 2021.</p> <p>10. Key safety and health management tasks:</p> <p>(1) The Company has designated "Safety and Health Officer/First-aid Officer/Fire Safety Officer/Organic Solvent Operations Officer" inside plant premises according to the Occupational Safety and Health Act.</p> <p>(2) All employees exposed to chemical substance are required to undergo training in order to develop proper knowledge on the use of chemical substance.</p> <p>(3) All plant premises are equipped with emergency eye wash stations that workers may use of wash off incidental contact of alcohol/acetone in the eye or face.</p> <p>(4) All plants are equipped with robust fire safety systems and equipment that are inspected and reported regularly according to the Fire Services Act. Fire safety training and emergency response drills are carried out every six months at all plant premises.</p> <p>(5) All plants are required to conduct 5S environment inspections on a weekly basis, and exercise proper supervision and improvement over environment safety.</p> <p>(6) All plants are required to conduct regular inspections and tests on wiring and power usage to ensure electrical safety and prevent hazard.</p> <p>(7) All plants are required to conduct their own inspections and maintenance over machinery and equipment, and do so in daily, weekly, monthly, or yearly cycles as deemed appropriate to ensure the safety of machinery and equipment.</p> <p>11. Occupational safety and health progress:</p> <p>(1) Worker environment monitoring: Work environment test is conducted twice a year to gather information on workers' environmental exposure, and thereby protect them from hazardous substances, giving them a healthy and comfortable environment to work in.</p> <p>(2) Equipment safety management: The Company classifies its machinery and equipment, and tightens management over hazardous machinery and equipment.</p> <p>(3) Safety and health training and promotion: All new and transferring workers are required to undergo 3 hours of general safety and health training before commencing duty.</p> <p>(4) Work safety performance in the last 3 years - There was zero case of disabling injury.</p>	
(4) Has the Company implemented an effective training program that	V		(4) The Company values employees' career development, and budgets and executes internal as well as external training programs on a yearly basis. Required skills and training courses have been outlined for each job role, so that line managers and employees themselves may take progressive steps	No material deviation is found

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
helps employees develop skills over their career?			toward improving practices or skills to ensure target accomplishment. The Company has well-defined plans in place to train and develop critical talents, and support their progression toward their desired positions. Besides promotion, the Company also offers job rotation and expatriate opportunities as viable career paths. Furthermore, the Company encourages employees to develop learning habits and build up professional knowledge in their free time, and offers on-job training incentives and subsidizes English language studies on a monthly basis.	
(5) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implemented consumer/customer protection policies and complaint procedures?	V		(5) The Company takes responsibility in the products offered and values marketing ethics. All research, development, procurement, production, operation, and service processes observe government regulations and international rules. The Company has established consumer protection policies and created a Stakeholders section on its website where visitors may access grievance channels and e-mail links. The Company is able to resolve consumers' complaints in relatively short time, and has "Customer Complaint Handling Procedures" in place to analyze causes of complaint and make improvements to prevent similar occurrence.	No material deviation is found
(6) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		(6) The Company has implemented "Supplier Management Procedures" and disclosed "Supplier Management Policy" on its website that outlines suppliers' compliance requirements with respect to environmental protection, occupational safety and health, and work rights/human rights issues. The procurement form is printed with the Company's environmental goals of "Resource Conservation, Compliance, Pollution Prevention, and Carbon Reduction," for which suppliers are constantly reminded to observe and take part in the creation of a green, environment-friendly, safe, healthy, and sustainable supply chain. The Company evaluates suppliers once a year on the quality, timeliness, and services delivered. Outcomes of the evaluation will determine how the Company maintains its relationship with each supplier. The group conducted on-site or online audits on a total of 41 suppliers in 2021, and continued to enforce supplier management.	No material deviation is found



Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
五、 Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?		V	The Company has not adopted such practice	As explained in the summary
六、 If the Company has established sustainability policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				
七、 Other information useful to the understanding of sustainable practice: All of the Company's business activities are carried out according to laws and in line with social responsibilities. The Company has been observant of laws and social responsibilities since the day it was founded. The following is an overview of the practices currently adopted to fulfill social responsibilities: (一) Business performance The Company has effective internal control system, independent directors, and Audit Committee in place to enforce corporate governance. In addition to leveraging independent directors' professional expertise and the management's practical experience, the Company has also implemented Board of Directors Conference Rules and Board of Directors Performance Evaluation Policy, and purchased liability insurance for directors and supervisors to enhance board functionality. For protection of shareholders' interest and information transparency, the Company has designated a spokesperson and an acting spokesperson to make timely disclosure of material information. Dedicated personnel have been assigned to handle communication with shareholders. Furthermore, as the Company transitions from selling components to selling customized modules and products based on customers' needs, more attention is being directed toward innovation, research, development, new applications, and core competitiveness. These are the areas where the Company will commit its sustainability efforts and pursue performance improvements to maximize values for shareholders. (二) Environmental protection 1. As far as environmental protection is concerned, Edison Opto's high power LED is undoubtedly one of the most energy efficient and environment-friendly solutions in the lighting industry. Following the ban of energy-intensive light bulbs in many countries in 2010, LED lights have received immense support from governments around the world for their energy efficiency and environment friendliness. Edison Opto's high power LEDs are being sold in many parts of the world. The Company is dedicated to developing efficient and environment-friendly light sources and lighting				



Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary (Note 2)	
			<p>equipment, and has been building up the technological capacity needed to assist customers in the design of environment-friendly lighting equipment. By making meaningful changes to people's lifestyle, the Company contributes to energy conservation and environmental protection as part of its social responsibilities. Furthermore, all floor lighting equipment within the office building have been replaced with LED lighting panels, whereas lighting in common areas are being replaced with LED alternatives to take full advantage of energy efficiency.</p> <p>2. The Company actively promotes lead-less production and the creation of green supply chain. All LED products sold to the EU conform with RoHS and REACH requirements. The Company has long been observant of changes in environmental protection laws around the world, and constantly redesigns products to conform with global trends. By reducing use of hazardous substances, the Company contributes efforts to the cause.</p> <p>3. The Company places great emphasis on product quality and has set goals to raise customers' satisfaction over time. The Company is dedicated to the development and promotion of LDMS; all products are made according to relevant procedures and policies, so that only the safest, most trusted, and best quality products are delivered to customers.</p> <p>4. To enforce the Company's environmental goals toward "Resource Conservation, Compliance, Pollution Prevention, and Waste Reduction," the Administration Department has provided each employee with a set of reusable dining utensils, and instructed all catering partners to discontinue use of disposable dining utensils (including disposable chopsticks and plastic spoons). All floors occupied by the Company have been replaced with LED lighting panels to take full advantage of energy efficiency.</p> <p>5. The Company has been certified for ISO14001 - Environmental Management System since 2005, and follows government rules in the treatment and recycling of wastewater, waste, and resources. The Company will continue making refinements to its management system, and create a safer work environment for employees as part of its social responsibilities.</p> <p>6. Recycling bins have been made available on each floor to recover different types of waste such as paper, aluminum can, PET bottle etc.; approximately 5,250 KG of resources are recycled each year.</p> <p>7. As an advocate for environmental protection, the Company persistently promotes the idea of "bringing reusable utensils and reducing use of disposable utensils." When ordering food (lunch and dinner), caterers are reminded not to include disposable utensils (disposable chopsticks and plastic spoons), and the Company is estimated to have saved 8,425 sets of disposable utensils between January and October this year, and expects to reduce about 1.2 tonnes of waste from disposable utensils alone in a year.</p> <p>8. Dispense of toilet tissues and hand towels is being limited, and more intensive efforts are being taken to promote environmental protection, energy conservation, and forest preservation through paper reduction. Usage of paper has been reduced by more than 50%, which is equivalent to saving 250 kg of paper each year.</p> <p>(三) Community engagement, social contribution, social service, and charity</p> <p><u>"Uniform Invoice Donation Box":</u></p> <p>Starting from January 2021, the Company collaborated with "Genesis Social Welfare Foundation" by placing "Uniform Invoice Donation Boxes" made with transparent acrylics throughout Taipei Plant, and collected a total of 378 invoices. Each invoice carries the potential to help those in need, and through this act of kindness, the Company hopes to direct the public's attention to neglected parts of Taiwan and offer assistance to people in need for a better society!</p> <p><u>Meal donation to children's institution:</u></p> <p>In November 2021, the Company organized a meal donation event in conjunction with "Rong-Guang Social Welfare Institution" that raised a total of NT\$100,000 in donations. Because of this act of kindness, the institution now has adequate funding to provide food for children and save them from waiting for subsidies in hunger. With the right nutrient, children now have the mental toughness and energy to face challenges in life.</p>	

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
<p>(四) Consumer interests</p> <p>In addition to purchasing insurance coverage such as non-life insurance and freight insurance, the Company and subsidiaries also offer adequate warranty on products to satisfy customers' needs.</p> <p>(五) Human rights protection</p> <p>The Company has assembled an Employee Welfare Committee, implemented a Sexual Harassment Prevention, Reporting and Disciplinary Policy, and amended its work rules to include requirements of the Act of Gender Equality in Employment. Labor-management meetings and seminars are held regularly to promote awareness on prevention of sexual harassment and workplace violence. The Company has effective and appropriate grievance systems in place to reflect matters that violate workers' interests, and additional care is taken to ensure fairness and transparency of the grievance process while addressing employees' welfare, rights, and privacy.</p>				

Note 1: If Actual Governance is specified "Yes," please explain the key policies, strategies, and measures taken and the execution progress. If Actual Governance is specified "No," please explain deviation and cause of deviation in the field titled "Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," and provide any policy, strategy and measure planned for the future.

Note 2: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

(VI) Integrity policies and practices.

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Establishment of integrity policies and solutions				
(1) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	V		(一) The Company adopts a corporate culture of "Integrity, Pragmatism, and Modesty," and conveys its integrity commitments to the public.  The Company has established "Business Integrity Code of Conduct" and "Employee Ethics Code of Conduct" with the approval of the board of directors; they outline the Company's integrity policies and practices, and convey integrity commitments from the board of directors, the senior management, and all employees.	No material deviation is found
(2) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(二) The Company has "Ethical Behavior Guidelines for Directors, Managers, and Employees," "Employee Ethics Guidelines," and "Fraud and Violation Reporting Policy" in place that specifically prohibit directors, managers, agents, and employees from engaging in any activities listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or any other business activities that are prone to higher integrity risk.	No material deviation is found
(3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		(三) The Company has "Ethical Behavior Guidelines for Directors, Managers, and Employees," "Employee Ethics Guidelines," and "Fraud and Violation Reporting Policy" in place that outline relevant operating procedures, behavioral guidelines, and penalties and grievance systems for violations. All of which are being enforced as intended. The Company has stated on its website the following contact methods that can be used to report illegal conducts involving any group employee or representative of the Company over the course of transaction: (1) Telephone: +886-2-8227-6996 ext 3320; Legal Affairs Office - Ms Wang (2) E-mail: <a href="mailto:sherylwang@edison-opto.com.tw">sherylwang@edison-opto.com.tw</a> The above preventions against dishonest conduct are evaluated in the first quarter of each year for appropriate amendments at the time when previous year's financial statements are passed.	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
2. Enforcement of business integrity				
(1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(一) Prior to commencing business relationship, the Company would evaluate its business partner for legitimacy and history of dishonest conduct, and thereby avoid dealing with vendors of poor integrity. Before making the initial transaction, the Company requires each supplier to sign an "Integrity Commitment" and comply with commercial ethics. The Company may, at any time, terminate or cancel contract with any counterparty that violates policy or terms of agreement or is involved in dishonest conduct, and blacklist them from future dealings.	No material deviation is found
(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	V		(二) Below are the current arrangements: The Company's "General Administrative Division" assumes the concurrent role of business integrity enforcer directly under the board of directors. It assists the board and the management in the establishment, supervision, and execution of business integrity policies as well as preventive measures, ensures that the Business Integrity Code of Conduct is duly implemented throughout the organization, and oversees division of responsibilities. The division reports its progress to the board of directors at least once per year, and progress for 2021 had already been reported to the board of directors on November 12, 2021. Progress for 2021: 1) Education and training The Company organized 31 sessions of training on compliance, internal control, and risk management. Enrollment count for internal and external training courses totaled 525. Furthermore, the Company continues to advocate and enforce business integrity management, and encourages employees to participate in the management and prevention of dishonest conducts. Relevant information has been disclosed on the corporate website. 2) Compliance awareness The Administrative Division is responsible for promoting awareness among employees. In 2021, it introduced "Integrity and Sustainable Growth" as the main theme, and used short videos and case studies to highlight areas that employees should pay attention to, particularly with regards to Business Integrity Code of Conduct and	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		<p>material insider information, while carrying out business activities.</p> <p>3) Annual awareness campaigns The Company organizes online courses each year to promote employee' awareness on various topics such as: Business Integrity Code of Conduct, Business Integrity Procedures and Behavioral Guidelines, prohibition against dishonest conducts and harms to stakeholders' interests, and confidentiality over intellectual property rights.</p> <p>4) Regular inspections The Company assesses corruption risk of business activities taking place at all locations. Relevant business units are required to conduct self-audits and compliance self-assessments each year to ensure effective control and proper execution of existing systems. Additionally, the Company has a separate auditing unit that conducts independent audits to prevent dishonest conducts.</p> <p>5) Whistleblower system and protection The Company has implemented a whistleblower system in its "Corporate Governance Code of Conduct" and "Business Integrity Code of Conduct" as a pro-active way of preventing dishonest conducts. Internal and external personnel may use various grievance channels to report dishonest or inappropriate conducts. The Legal Affairs Office has been designated as the unit responsible for handling misconduct reports. The Company also has a whistleblower protection system in place to maintain confidentiality over whistleblowers' identity and nature of report, and to protect informants from retaliation as a result of their report. The Company received 0 misconduct report from external sources and 0 misconduct report from employees in 2021. No dishonest action was found during the year.</p> <p>(三) The Company has established "Business Integrity Code of Conduct," "Ethical Behavior Guidelines for Directors and Managers," "Employee Ethics Guidelines" with conflicting interest prevention policy, and "Fraud and Violation Reporting Policy," and implemented appropriate reporting channels</p>	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			and practices for enforcement.	
(4) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(四) The Company has established effective accounting policies and internal control system to enforce business integrity throughout the organization. Internal auditors are assigned to conduct regular audits to ensure compliance of the abovementioned policies/system, and thereby enforce the business integrity policy.	No material deviation is found
(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(五) The Company organizes integrity training on a regular basis, and uses various meetings to convey the corporate culture and duties toward business integrity. The Company organized 232 sessions of training on compliance, financial security, and information security between 2014 and 2021 as part of its business integrity efforts. Enrollment count for internal and external training courses totaled 1519 during this period. Each department head has been tasked with the responsibility of promoting anti-corruption awareness among employees within their departments.	No material deviation is found
3. Whistleblowing system				
(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	V		(一) The Company has outlined in its "Employee Ethics Guidelines" and "Fraud and Violation Reporting Policy" a whistleblower system along with accessible reporting channels, and made available a broad variety of reporting channels over the corporate website including an integrity reporting hotline, physical mailing address, email address, and online opinion section. The Company has designated the Legal Affairs Office as the unit responsible for handling misconduct reports.	No material deviation is found
(2) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		(二) The Company has a "Fraud and Violation Reporting Policy" in place that outlines standard procedures and confidentiality measures for investigating misconduct reports.	No material deviation is found
(3) Has the Company adopted any measures to prevent whistleblowers from retaliation for filing reports?	V		(三) The Company has established a set of "Employee Ethics Guidelines" that contains protection measures for whistleblowers. The guidelines explicitly protect whistleblowers against retaliation that may arise as a result of their misconduct report.	No material deviation is found
4. Enhanced information disclosure				
(1) Has the Company disclosed its	V		(一) The Company conveys its corporate culture over its	No material

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
integrity principles and progress onto its website and MOPS?			website and makes relevant disclosures on Market Observation Post System. Information is consolidated into annual shareholder meeting reports.	deviation is found
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No deviation is found.				
6. Other information useful to the understanding of integrity in business dealings:				
<p>(1) Business integrity - training and performance</p> <p>The Company established "Ethical Behavior Guidelines for Directors and Managers" and "Employee Ethics Code of Conduct" in 2014. Its "Business Integrity Code of Conduct" was approved during the 7th meeting of the 6th board of directors held on March 6, 2017 and was later reported during the annual general meeting on June 22, 2017. The Company organized 232 sessions of training on compliance, financial security, and information security between 2014 and 2021 as part of its business integrity efforts. Enrollment count for internal and external training courses totaled 1519 during this period. The Company persistently promotes and enforces integrity management, and encourages employees to take part in the management and prevention of dishonest conducts. Each department head has been tasked with the responsibility of promoting anti-corruption awareness among employees within their departments. Owing to the Company's effective awareness promotion efforts, no violation of Business Integrity Code of Conduct has occurred to date.</p> <p>(2) Business integrity - execution progress and approach</p> <p>1. Promotion of integrity philosophy: "Integrity" forms part of Edison Opto's corporate culture. The Company not only conveys its respect for corporate social responsibilities using the corporate website, but also enforces business integrity, fairness, and ethics as a righteous organization. The Company complies with government regulations and does not tolerate any form of bribery, fraud, coercion, improper gain, or illegal conduct. Furthermore, it has confidential and secured whistleblowing channels in place to facilitate misconduct reports.</p> <p>2. Business integrity - commercial cooperations:</p> <p>(1) Prior to commencing business relationship, the Company would evaluate its business partner for legitimacy and history of dishonest conduct, and thereby avoid dealing with vendors of poor integrity. The Company would cease further dealings with any counterparty that violates policy, and blacklist them from future dealings.</p> <p>(2) The Company requires suppliers to sign "Integrity Commitment" for compliance with commercial ethics. Completion of this commitment is checked by the Audit Office on a quarterly basis with findings reported to the Chairman and the management. The Company may terminate or cancel contract at any time if a supplier is found to exhibit dishonest conduct or breach of contract terms.</p> <p>3. Work ethics - all employees: Starting from 2016, all existing and new employees are being required to comprehend "Employee Ethics Guidelines" and sign "Integrity Commitment." Meanwhile, employees are reminded to stay alert for any conduct that violates work ethics, and are obligated to report to their line managers when in doubt or upon discovering any violations. The Company requires all employees to comply with the guidelines, and thereby protect the interests of Edison Opto and all stakeholders.</p> <p>4. Violation of business integrity: The Company has "Ethical Behavior Guidelines for Directors and Managers" and "Employee Ethics Guidelines" available to guide directors, managers, and employees. Violators of business integrity will be disciplined according to the Company's "Fraud and Violation Reporting Policy."</p> <p>5. Business integrity training: Corporate governance and insider courses are arranged for directors and supervisors on a regular basis. The Company also organizes training programs to help employees develop awareness towards business integrity.</p> <p>(3) Business integrity - Whistleblowing system</p> <p>All business activities must be carried out while observing corporate social responsibilities, corporate ethics, and government regulations. All employees are prohibited from engaging in any form of unfair commercial practice, and must refrain from any form of bribery, improper gain, fraud, coercion, illegal conduct, and possible conflict of</p>				



Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
interest for long-lasting partnership.				

- (7) If the Company had formulated the codes of corporate governance and relevant rules, it should disclose their inquiry methods: The Company had formulated the codes of practice on corporate governance and other relevant rules, which should be announced on the Company's website.  
(website: <https://www.edison-opto.com/important-rules-and-regulations>)
- (8) Other important information sufficient to enhance the understanding on the operation of corporate governance could be disclosed together:
1. The Company's operation procedures for internal major information processing: the "Operation Procedures for Management on Preventing Insider Transactions" was set forth in the Company's operation procedures for internal major information processing, which should be the principle followed by the Directors, Managers and employees.



## 2. The Directors' Continuing Education in 2021:

Course name (Note 1)	Organizer	Date of appointment	Continuing education date	Position	Name	Continuing education hours
2021 Sustainable Upgrade Online Forum of Gre Tai Securities Market	Gre Tai Securities Market	2019.06.18	2021.08.31	Chairperson	Jason Wu	2.0
Opportunities and Challenges of Family Enterprises in Taiwan	Swiss bank	2019.06.18	2021.10.27	Chairperson	Jason Wu	3.0
2021 Advocacy Meeting for Preventing Insider Transaction	Taiwan Stock Exchange Co., Ltd.	2019.06.18	2021.11.05	Chairperson	Jason Wu	3.0
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2019.06.18	2021.09.01	Director	Representative of YOUNGTEK ELECTRONICS CORP.: June Wung	3.0
Opportunities and Challenges of Family Enterprises in Taiwan	Swiss bank	2019.06.18	2021.10.27	Director	Representative of YOUNGTEK ELECTRONICS CORP.: June Wung	3.0
2021 Sustainable Upgrade Online Forum of Gre Tai Securities Market	Gre Tai Securities Market	2019.06.18	2021.08.31-2021.09.01	Director	Wen-Ruei Cheng	4.0
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2019.06.18	2021.09.01	Director	Wen-Ruei Cheng	3.0
2021 Advocacy Meeting for Preventing Insider Transaction	Taiwan Stock Exchange Co., Ltd.	2019.06.18	2021.05.07	Director	Representative of Weixin Investment Co., Ltd.: Po-Chung Wang	3.0
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2019.06.18	2021.09.01	Director	Representative of Weixin Investment Co., Ltd.: Po-Chung Wang	3.0
2021 Sustainable Upgrade Online Forum of Gre Tai Securities Market	Gre Tai Securities Market	2019.06.18	2021.08.31-2021.09.01	Director	Nan-Yang Wu	4.0

Course name (Note 1)	Organizer	Date of appointment	Continuing education date	Position	Name	Continuing education hours
Advocacy and Instruction Meeting for Insiders' Equity of OTC and Emerging Companies	Gre Tai Securities Market	2019.06.18	2021.10.18	Director	Nan-Yang Wu	3.0
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2019.06.18	2021.09.01	Independent Director	Wen-Chao Wang	3.0
Seminar of Fubon Property Insurance for Digital Governance and Director and Supervisor Risk Management	Fubon Property Insurance Co., Ltd.	2019.06.18	2021.09.15	Independent Director	Wen-Chao Wang	3.0
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2019.06.18	2021.09.01	Independent Director	Tung-Hsiung Hung	3.0
Opportunities and Challenges of Family Enterprises in Taiwan	Swiss bank	2019.06.18	2021.10.27	Independent Director	Tung-Hsiung Hung	3.0
Red Flag of Fraud from False Financial Reports	Taiwan Corporate Governance Association	2019.06.18	2021.08.13	Independent Director	Yin-Fei Liu	3.0
Overview of Responsibilities of Directors and Supervisors – Discussion on Corporate Governance from the KY Case	Taiwan Corporate Governance Association	2019.06.18	2021.08.24	Independent Director	Yin-Fei Liu	3.0

Note 1: The continuing education hours of the serving Directors met the hours as specified in the “Key Points for Implementation of Continuing Education on Directors and Supervisors of Listed and OTC Companies.”

Note 2: In accordance with the provisions of paragraph 2 of Article 3 of the “Key Points for Implementation of Continuing Education on Directors and Supervisors of Listed and OTC Companies”: those who continued to serve should take the continuing education for at least six hours a year during their tenure. However, if he acted as a lecturer of course relevant to corporate governance in a training institution listed in Paragraph 4 of Point 3 “Training System” (1) in the current year, and the provisions of the preceding paragraph for 12 hours of training for new electees in the current year had been complied with, when he taught the course once, one hour for his continuing education could be deducted, and the total hours deducted should be limited to three hours.

3. 2021 Managers' (and their position agents') participation in continuing education and training related to corporate governance:

Position	Name	Continuing education date	Organizer	Course name	Continuing education hours
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.03.25~110.03.26	Accounting Research and Development Foundation of the Republic of China	Continuing Education Course for Accounting Head of Issuers, Securities Firms and Stock Exchanges	12.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.08.31	Gre Tai Securities Market	2021 Sustainable Upgrade Online Forum of Gre Tai Securities Market	2.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.09.01	Taiwan Stock Exchange	The 13th Taipei Corporate Governance Forum	3.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.09.15	Fubon Property Insurance Co., Ltd.	Seminar for Directors' and Supervisors' responsibilities and Risk Management	3.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.09.30	Financial Supervisory Commission	Education and Training of Financial Supervisory Commission for "2021 Electronic Document Exchange System for Financial Markets"	4.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.10.15	Securities & Futures Institute of the Republic of China	2021 Advocacy and Instruction meeting for Compliance of Insider Equity Transactions with Laws	3.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.10.27	Taiwan Academy of Banking and Finance (entrusted by Swiss bank)	Online Symposium for Corporate Governance – Opportunities and Challenges of Family Enterprises in Taiwan	3.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.11.03	Taiwan Stock Exchange Co., Ltd.	2021 Advocacy Meeting for Preventing Insider Transaction	3.0
Head of corporate governance and accounting	Cheng-Dian Hsu	2021.11.09	Taiwan Stock Exchange Co., Ltd.	Business Advocacy Meeting of Listed Companies	3.0
Accounting head and his position agent	Xi-Quan Hu	2021.09.09~2021.09.10	Accounting Research and Development Foundation	Continuing Education Course for Accounting Head of Issuers, Securities Firms and Stock Exchanges	12.0

Position	Name	Continuing education date	Organizer	Course name	Continuing education hours
Audit Supervisor	Xiaojun Wang	2021.03.03	Taiwan Corporate Governance Association	Sharing and Service Instruction Meeting for Topic of Performance Assessment on Board of Directors	3.0
Audit Supervisor	Xiaojun Wang	2021.09.01	The Institute of Internal Auditors of Chinese Taiwan	Practice of Cross-Strait Tax Auditing and Law Analysis	6.0
Audit Supervisor	Xiaojun Wang	2021.09.24	Intellectual Property Office of the Ministry of Economic Affairs	2021 Legal System and Practice Seminar for Enterprises' Trade Secret Protection	3.5
Audit Supervisor	Xiaojun Wang	2021.11.09	Taiwan Stock Exchange	2021 Business Advocacy Meeting of Listed Companies	3.0
Position agent of audit head	Jing-Yi Lin	2021.09.15	The Institute of Internal Auditors	Cycle Audit Practice for Sales Collection and Purchase Payment	6.0
Position agent of audit head	Jing-Yi Lin	2021.11.05	Accounting Research and Development Foundation	Analysis on Practical Issues of Internal Auditors' Compliance with Laws and Anti-fraud for "Information Security" And "Personal Privacy"	6.0

Note 1: All the above-mentioned personnel met the qualification conditions for the accounting head of issuers, securities firms and stock exchanges, and provisions for each year's continuing education in the Professional Continuing Education Measures, the Guidelines for Establishment of Internal Control Systems by Public Companies and the provisions of Article 29 of the Company's Practical Codes for Corporate Governance. The accounting personnel related to the preparation of financial reports also took professional courses for more than 6 hours every year.

Note 2: The "Practical Codes for Corporate Governance" was adopted by the Board of Directors on November 4, 2014, and according to the resolution adopted by the Board of Directors on May 6, 2019, Mr. Zheng-Dian Xu was concurrently appointed as the head of corporate governance. He had at least 3 years of experience in acting as the head of legal, financial, stock or corporate governance related units of public companies, could ensure the effective implementation of his duties for corporate governance and other duties, and did not involve any conflict of interests or violation of the Internal Control System.

#### 4. Purchase of liability insurance by the Company for the Directors in 2021

Insured object	Insurance company	Insurance amount	Insurance term
All the Directors	Fubon Property Insurance Co., Ltd.	USD 5 million	From December 10, 2020 to December 10, 2021
All the Directors	Fubon Property Insurance Co., Ltd.	USD 5 million	From December 10, 2021 to December 10, 2022

Note: The insurance amount, coverage and premium rate of the renewed director liability insurance had been submitted to the Board of Directors on November 12, 2021.

(9) Execution situation of internal control

1. For the statement of Internal Control Systems, see Appendix 1 (Page 174)
2. If a CPA was entrusted to conduct a special audit of the Internal Control System, the CPA's audit report should be disclosed: none.

(10) In the most recent year and by the end of the date of publishing the annual report, the punishment on the Company and its internal personnel in accordance with the law, punishment on its internal personnel by the Company for violating the provisions of the Internal Control System, main deficiencies and improvements: none.

(11) In the most recent year and by the end of the date of publishing the annual report, important resolutions of the shareholders' meeting and the Board of Directors:

1. Contents and execution situation of important resolutions of the 2021 shareholders' general meeting:

Date	Contents and execution situation of important resolutions
2021.05.25 (The meeting was postponed to be held on July 15, 2021, due to the influence of the COVID-19 pandemic)	<ul style="list-style-type: none"> <li>• Recognized the 2020 final accounts. Execution situation: the business report and financial statements had been recognized and adopted by the shareholders' general meeting.</li> <li>• Recognized the 2020 earnings distribution. Execution situation: the original proposal was adopted by voting, and according to the resolution of the Board of Directors on July 15, 2021, August 21, 2021 was set as the ex-dividend base date, and the cash dividend had been paid on September 8, 2021. (Dividend per share: NT \$ 0.334570)</li> <li>• Adopted the amendments to the Articles of Association of the Company. Execution situation: the original proposal was adopted by voting, the amendment measures had been uploaded onto the Company's website, and the amendments were made according to the amendment procedures.</li> <li>• Adopted the amendments to the Company's "Rules of Procedure for Shareholders' Meetings." Execution situation: the original proposal was adopted by voting, the amendment measures had been uploaded onto the Company's website and the Market Observation Post System, and the amendments were made according to the amendment procedures.</li> <li>• Adopted the amendments to the Company's "Rules of Procedure for Meetings of the Board of Directors." Execution situation: the original proposal was adopted by voting, the amendment measures had been uploaded onto the Company's website and the Market Observation Post System, and the amendments were made according to</li> </ul>

Date	Contents and execution situation of important resolutions
	<p>the amendment procedures.</p> <ul style="list-style-type: none"> <li>• Adopted the amendments to the Company's "Procedures for Election of Directors."</li> </ul> <p>Execution situation: the original proposal was adopted by voting, the amendment measures had been uploaded onto the Company's website and the Market Observation Post System, and the amendments were made according to the amendment procedures.</p> <ul style="list-style-type: none"> <li>• Adopted the amendments to the Company's "Codes of Ethical Conduct for Directors, Managers and Appointees."</li> </ul> <p>Execution situation: the original proposal was adopted by voting, the amendment measures had been uploaded onto the Company's website and the Market Observation Post System, and the amendments were made according to the amendment procedures.</p>

2. In the most recent year and by the end of the date of publishing the annual report, important resolutions of the Board of Directors

Meetings	Date	Resolution Items
The 13th meeting of the seventh session of Board of Directors	2021.02.25	<ul style="list-style-type: none"> <li>• Adopted the 2020 achievement and assessment results of performance objectives of Directors and Managers</li> <li>• Adopted the ratification on remuneration of employees and Directors of the Company in 2020</li> <li>• Adopted the Company's 2020 annual final accounts and business report</li> <li>• Adopted the Company's 2020 earnings distribution</li> <li>• Adopted the amendments to the Company's 2020 "Statement of Internal Control System"</li> <li>• Adopted the amendments to the Company's "Articles of Association"</li> <li>• Adopted the amendments to the Company's "Rules of Procedure for Shareholders' Meetings"</li> <li>• Adopted the amendments to the "Rules of Procedure for Meeting of the Board of Directors"</li> <li>• Adopted the amendments to the Company's "Procedures for Election of Directors"</li> <li>• Adopted the amendments to the Company's "Organizational Procedures for Remuneration Committee" Adopted the regular evaluation on the independence of certified public accountants</li> <li>• Adopted the issues relevant to holding the 2021 shareholders' general meeting</li> </ul>

Meetings	Date	Resolution Items
The 14th meeting of the seventh session of Board of Directors	2021.05.13	<ul style="list-style-type: none"> <li>• Adopted the consolidated financial statements of the Company for the first quarter of 2021</li> <li>• Adopted the 2020 earnings distribution of the Company's important subsidiaries</li> <li>• Adopted the expected cash capital increase of the Company's important subsidiaries</li> <li>• Adopted the purchase of convertible corporate bonds within the limit of NT \$5 million by the Company</li> </ul>
The 15th meeting of the seventh session of Board of Directors	2021.06.24	<ul style="list-style-type: none"> <li>• Adopted changing the date of the 2021 shareholders' general meeting</li> </ul>
The 16th meeting of the seventh session of Board of Directors	2021.07.15	<ul style="list-style-type: none"> <li>• Adopted setting the cash dividend base date for the Company's 2020 earnings distribution</li> <li>• Adopted the change registration of convertible corporate bonds converted into ordinary shares in the second quarter of 2021</li> <li>• Adopted the recovery and cancellation of new shares with the second limitation to employees' rights, issued by the Company, and the capital reduction</li> </ul>
The 17th meeting of the seventh session of Board of Directors	2021.08.12	<ul style="list-style-type: none"> <li>• Adopted the Company's consolidated financial statements for the second quarter of 2021</li> <li>• Adopted the new increase of fund loans between the subsidiaries of group</li> <li>• Adopted the acquisition of right-to-use assets by the subsidiaries of the Company from related parties</li> <li>• Adopted making up for losses through capital reduction of subsidiaries of the Company</li> <li>• Adopted the amendments to the Company's "Internal Control System" and relevant measures</li> <li>• Adopted replacing the custodian of the Company's special seal for endorsement and guarantee</li> <li>• Adopted the ratification of remuneration of the Independent Directors</li> </ul>

Meetings	Date	Resolution Items
The 18th meeting of the seventh session Board of Directors	2021.10.01	<ul style="list-style-type: none"> <li>• Adopted the replacement of the Company's research and development head</li> <li>• Adopted the items to be handled upon the execution of the Company's Internal Control System</li> <li>• Adopted the self-compilation of financial statements already solely prepared by the Company</li> <li>• Adopted the change registration of convertible corporate bonds converted into ordinary shares in the third quarter of 2021</li> </ul>
The 19th meeting of the seventh session Board of Directors	2021.11.12	<ul style="list-style-type: none"> <li>• Adopted the Company's consolidated financial statements for the third quarter of 2021</li> <li>• Adopted the purchase of 2022 director liability insurance by the Company</li> <li>• Adopted the amendments to the relevant operating measures of the Company's "Internal Control System"</li> </ul>
The 20th meeting of the seventh session Board of Directors	2021.12.23	<ul style="list-style-type: none"> <li>• Adopted the formulation of the 2022 audit plan</li> <li>• Adopted the renewal of contract after the expiration of the Company's bank limit</li> <li>• Adopted the 2022 fund loan limit between inter-group companies</li> <li>• Adopted the purchase of short-term financial products by the subsidiaries in 2022</li> <li>• Adopted the appointment and remuneration of certified public accountants of the group in 2022</li> <li>• Adopted the submission of the Company's Managers' bonus in 2021</li> <li>• Adopted the business address relocation proposed by the Company</li> <li>• Adopted the proposal that Alpha Tree Investment, a subsidiary of the Company, intended to participate in the cash capital increase of Taiwan Hydroxyl Technology Co., Ltd.</li> <li>• Adopted the Company's 2022 annual plan and budget report</li> <li>• Adopted the group's 2022 fund planning</li> </ul>



Meetings	Date	Resolution Items
The 21st Meeting of the seventh session Board of Directors	2022.02.24	<ul style="list-style-type: none"> <li>• Adopted the 2021 achievement and assessment results of the performance objectives of the Directors and Managers</li> <li>• Adopted the ratification on the Company's 2021 employee and director remuneration</li> <li>• Adopted the Company's 2021 annual final accounts and business report</li> <li>• Adopted the Company's 2021 earnings distribution</li> <li>• Adopted the Issuance of new shares by the Company through the conversion of capital reserve into capital increase in 2021</li> <li>• Adopted the distribution of cash dividend by the Company from capital reserve in 2021</li> <li>• Adopted the Company's 2021 "Statement of Internal Control System"</li> <li>• Adopted the amendments to the Company's "Procedures for Acquisition or Disposal of Assets"</li> <li>• Adopted the amendments to the Company's "Practical Codes for Corporate Governance"</li> <li>• Adopted the amendments to the Company's "Operation Procedures for Management of Preventing Insider Transactions"</li> <li>• Adopted the amendments to the Company's "Operation Procedures for Applying for Suspension and Resumption of Trading"</li> <li>• Adopted the regular evaluation on the independence of certified public accountants</li> <li>• Adopted the change registration of convertible corporate bonds converted into ordinary shares in the fourth quarter of 2021</li> <li>• Adopted the election of the 8th session of Directors and Independent Directors of the Company</li> <li>• Adopted submitting to the shareholders' meeting for approval the removal of restrictions on non-compete of new Directors and their representatives of the Company</li> <li>• Adopted the issues relevant to holding the 2022 shareholders' general meeting</li> </ul>

- (12) In the most recent year and by the end of the date of publishing the annual report, if the Directors or Supervisors had different opinions on the important resolutions adopted by the Board of Directors and had records or written statements, their main contents were: none.
- (13) In the most recent year and by the end of the date of publishing the annual report, the resignation and dismissal of the Company's Chairman, General Manager, accountant head,

financial head, head of internal audit, head of corporate governance and head of R&D were summarized as follows:

April 30, 2022

Position	Name	Date of appointment	Date of dismissal	Reasons for resignation or dismissal
Research and development head	Zong-Qing Chen	2020.08.04	2021.10.01	Internal organization adjustment of the Company

#### 4. Information about public expense items of CPA

- (1) If the proportion of non-audit public expenses paid to the certified public accountants, the firm to which the certified public accountants belonged and its affiliated enterprises accounted for more than one fourth of the audit public expenses, the amount of audit and non-audit public expenses and the contents of non-audit services should be disclosed:

Amount unit: NT \$1000

Name of CPA firm	Name of CPA	Audit public expenses	Non-audit public expenses					CPA Audit Term	Remarks
			System design	Industrial and commercial registration	Human resources	Others	Subtotal		
KPMG	Heng-Sheng Lin	3,790	0	0	0	350	350	2021.01.01-2021.12.31	Other non-audit public expenses were reviewed for transfer pricing
	Bei-Qi Chen								

- (2) If the CPA firm was replaced and the audit public expenses paid in the year of replacement were lower than those in the previous year, the amount and reasons of audit public expenses before and after the replacement should be disclosed: no such situation.
- (3) If the audit public expenses were reduced by more than 15% compared to the previous year, the amount, proportion and reasons for the reduction of audit public expenses should be disclosed: no such situation.

**5. Information about CPA replacement:**

(1) For former CPA:

Replacement date	Not applicable		
Replacement reason and description	Not applicable		
To state that the appointment was terminated or not accepted by the principal or CPA	Situation	Certified Public Accountant	Principal
	To voluntarily terminate the appointment	Not applicable	Not applicable
	To no longer accept (continue) the appointment	Not applicable	Not applicable
Opinions and reasons for issuing audit reports other than the one with unqualified opinions within the latest two years	No such situation		
Was there any disagreement with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Others
	None	V	
	Description		
Other disclosures (Items 1-4 to 1-7 of paragraph 6 of Article 10 of the Standards should be disclosed)	No such situation		

(2) For the CPA succeeded:

Firm name	Not applicable
Name of CPA	Not applicable
Appointment date	Not applicable
Items and results of consultation on accounting treatment methods or accounting principles for specific transactions and possible opinions issued for the financial reports before appointment	Not applicable
Written opinions of the CPA succeeded on items on which the former CPA disagreed	Not applicable

(3) The reply of the former CPA to items 1 and 2-3 of paragraph 6 of Article 10 of the Standards: not applicable.

6. If the Chairman, General Manager or Managers in charge of financial or accounting affairs of the Company had worked in a firm to which the CPA belonged or its affiliated enterprise in the most recent year, his name, title and service term in the firm to which the certified public accountant belonged or its affiliated enterprise should be disclosed: none.

7. In the most recent year and by the end of the date of publishing the annual report, changes in equity transfer and equity pledge of the Directors, Managers and shareholders holding more than 10% of shares of the Company:

(1) Changes in equity of the Directors, Managers and shareholders holding more than 10% of shares of the Company

April 30, 2021unit: shares

Position	Name	2021		For the year ended April 30, 2022	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman / General Manager	Jason Wu	175,000	0	0	0
Director	YOUNGTEK ELECTRONICS CORP.	0	0	0	0
	Representative: June Wung	0	0	0	0
Director	Weixin Investment Limited	35,000	0	0	0
	Representative: Po-Chung Wang	0	0	0	0
Director	Wen-Ruei Cheng	0	0	0	0
Director	Nan-Yang Wu	0	0	0	0
Independent director	Wen-Chao Wang	0	0	0	0
Independent director	Tung-Hsiung Hung	0	0	0	0
Independent director	Yin-Fei Liu	0	0	0	0
Vice President, R&D Division and Facilities Division	Guolun Liao	16,500	0	0	0

Position	Name	2021		For the year ended April 30, 2022	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Senior Associate Manager, Facilities Division	Yaochuan Hong	12,000	0	0	0
Senior Associate Manager, Facilities Division	Qingyuan Liu	15,000	0	0	0
Assistant manager of business department	Kundian He	48,000	0	0	0
Senior associate manager, and head of accounting center and corporate governance	Cheng-Dian Hsu	10,500	0	0	0
Audit Supervisor	Xiaojun Wang	10,500	0	0	0
Major shareholder	Liangdian Investment Co., Ltd.	0	0	0	0

(II) Information that the counterparty of equity transfer was a related party: none.

(III) Information of the counterparty of the equity pledge was a related party: none.

**8. Information about the relationship between the shareholders whose shareholding ratio was in the top 10 one:**

April 30, 2022; unit: thousand shares

Name	Number of shares held by himself		Shareholding of spouse and minor children		Total number of shares held in the name of others		If the top 10 shareholders were a related person or a spouse or a relative within the second degree of kinship to each other, their name and relationship.		Remarks
	Shares	Shareholding Ratio %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Name (or name)	Relation	
Liangdian Investment Company Person in charge: Jin-Yong Fan	16,556	12.85	0	0.00	0	0.00	Epistar Corporation	Mother and son Company	-
Epistar Corporation Person in charge: Bing-Jie Li	5,746	4.46	0	0.00	0	0.00	Liangdian Investment Co., Ltd.	Mother and son Company	
Harvatek Corporation Person in charge: Bing-Long Wang	5,112	3.97	0	0.00	0	0.00	Youngtek Electronics Corporation	The same person with the Chairman	
Weixin Investment Limited Person in charge: Jason Wu	4,340	3.37	0	0.00	0	0.00	Jason Wu	The same person with the Chairman	-
Weixin Investment Limited Representative: Po-Chung Wang	36	0.03	1	0.00	0	0.00	None	None	-
Fang-Long Huang	3,800	2.95	0	0.00	0	0.00	None	None	
Qing-Zong Li	2,905	2.25	0	0.00	0	0.00	None	None	
Jason Wu	2,787	2.16	950	0.74	0	0.00	Weixin Investment Limited	The same person with the Chairman	
Chu Chi Investment and Development Co., Ltd. Person in charge: Wen-Ting Zheng	2,694	2.09	0	0.00	0	0.00	None	None	-
Youngtek Electronics Corporation Person in charge: Bing-Long Wang	2,424	1.88	0	0.00	0	0.00	Harvatek Corporation	The same person with the Chairman	-
							Youngtek	First-degree	-

Name	Number of shares held by himself		Shareholding of spouse and minor children		Total number of shares held in the name of others		If the top 10 shareholders were a related person or a spouse or a relative within the second degree of kinship to each other, their name and relationship.		Remarks
	Shares	Shareholding Ratio %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Name (or name)	Relation	
							Electronics Corporation Representative: June Wung	relative	
Youngtek Electronics Corporation Representative: June Wung	0	0.00	0	0.00	0	0.00	Harvatek Corporation Person in charge: Bing-Long Wang	First-degree relative	-
							Youngtek Electronics person in charge of the Company: Wang Binglong	First-degree relative	
Bi-Ling Li	2,371	1.84	0	0.00	0	0.00	None	None	-

**9. The number of shares held by the Company, its Directors, Managers and enterprises directly or indirectly controlled by the Company in the same enterprises reinvested, and the comprehensive shareholding ratio should be consolidated to be calculated:**

March 31, 2022 unit: thousand shares; %

Enterprises reinvested	Investment of the Company		Investment of the Directors, managers and enterprises directly or indirectly controlled		Comprehensive investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Edison Opto Corporation	30	100%	0	0%	30	100%
Ledison Opto Corporation	4,500	100%	0	0%	4,500	100%
Best Opto Corporation	50,000	100%	0	0%	50,000	100%
Best Led Corporation (Note 2)	50,000	100%	0	0%	50,000	100%
Alpha Tree Investment Limited	25,000	100%	0	0%	21,900	100%
Edison-Litek Opto Corp. Limited	5,500	45%	3,463	28%	8,963	73%
Dongguan Edison Opto Co., Ltd.	(Note 1)	100%	0	0%	(Note 1)	100%
Yangzhou Edison Opto Co., Ltd. (Note 4)	(Note 1)	100%	0	0%	(Note 1)	100%
Yangzhou Aichuang Electronic Trading Co., Ltd. (Note 5)	(Note 1)	100%	0	0%	(Note 1)	100%
Edison Opto USA Corporation (Note 6)	220	55%	0	0%	220	55%
Yangzhou Edison-Litek Opto Co., Ltd. (Note 7)	(Note 1)	73%	0	0%	(Note 1)	73%
Leidiyang Intelligent Technology Co., Ltd. (Note 8)	2,200	100%	0	0%	2,200	100%
Aitong Opto Corp. (Note 9)	1,000	100%	0	0%	1,000	100%
Edison-Litek Opto Corp.	11,000	79%	1,120	8%	12,120	87%
Edison-Egypt Opto Corporation	2,500	100%	0	0%	2,500	100%

Note 1: it is a limited Company, so there are no shares.

Note 2: Best Led Corporation is a 100% owned subsidiary of Best Opto Corporation.

Note 3: Dongguan Edison Opto Co., Ltd., is a 100% owned subsidiary of Ledison Opto Corporation.

Note 4: Yangzhou Edison Opto Co., Ltd., is a 100% owned subsidiary of Best Led Corporation.

Note 5: Yangzhou Aichuang Electronic Trading Co., Ltd. is a 100% owned subsidiary of Yangzhou Edison Opto Co., Ltd.

Note 6: Edison Opto USA Corporation is a 55% subsidiary of Alpha Tree Investment Limited

Note 7: Yangzhou Edison-Litek Opto Co., Ltd., is a 100% owned subsidiary of Edison-Litek Opto Corporation Ltd.

Note 8: Leidiyang Intelligent Technology Co., Ltd., is a 100% subsidiary of Alpha Tree Investment Limited

Note 9: Aitong Opto Corp., is a 100% owned subsidiary of Alpha Tree Investment Limited



## IV. Capital Overview

### 1. Capital and shares

#### (1) Source of share capital

Year/Month	Issue Price	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Non-cash assets in lieu of capital	Others
2001.10	10	20,000,000	200,000,000	7,800,000	78,000,000	Capital established	None	Note1
2002.11	10	20,000,000	200,000,000	9,500,000	95,000,000	Issuance of common stock of NT\$17,000,000	None	Note2
2003.12	15	20,000,000	200,000,000	15,000,000	150,000,000	Issuance of common stock of NT\$55,000,000	None	Note3
2004.09	10	20,000,000	200,000,000	18,270,000	182,700,000	Common stock dividends of NT\$32,700,000	None	Note4
2005.08	10	30,000,000	300,000,000	21,202,500	212,025,000	Common stock dividends of NT\$29,325,000	None	Note5
2006.10	10	50,000,000	500,000,000	23,300,000	233,000,000	Common stock dividends of NT\$20,975,000	None	Note6
2006.10	41	50,000,000	500,000,000	28,000,000	280,000,000	Issuance of common stock of NT\$47,000,000	None	Note6
2007.08	20	50,000,000	500,000,000	29,000,000	290,000,000	Stock warrant of NT\$10,000,000	None	Note7
2007.08	10	50,000,000	500,000,000	35,700,000	357,000,000	Common stock dividends of NT\$67,000,000	None	Note8
2008.02	90	50,000,000	500,000,000	40,500,000	405,000,000	Issuance of common stock of NT\$48,000,000	None	Note9
2008.09	10	100,000,000	1,000,000,000	49,920,000	499,200,000	Common stock dividends and capital reserve transferred to capital of NT\$94,200,000	None	Note10
2009.09	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Common stock dividends and capital reserve transferred to capital of NT\$100,800,000	None	Note11
2009.10	15.4	100,000,000	1,000,000,000	60,810,000	608,100,000	Stock warrant of NT\$8,100,000	None	Note12
2009.11	80	100,000,000	1,000,000,000	66,810,000	668,100,000	Issuance of common stock of NT\$60,000,000	None	Note13
2010.07	10	100,000,000	1,000,000,000	77,831,500	778,315,000	Common stock dividends, employee stock bonus and capital reserve transferred to capital of NT\$110,215,000	None	Note14
2010.09	11	100,000,000	1,000,000,000	78,211,750	782,117,500	Stock warrant of NT\$3,802,500	None	Note15
2010.11	108	100,000,000	1,000,000,000	88,800,000	888,000,000	Issuance of common stock of NT\$105,882,500	None	Note16
2011.08	10	150,000,000	1,500,000,000	102,120,000	1,021,200,000	Common stock dividends and capital reserve transferred to capital of NT\$133,200,000	None	Note17
2011.10	10	150,000,000	1,500,000,000	102,369,200	1,023,692,000	Stock warrant of NT\$2,492,000	None	Note18
2012.03	10	150,000,000	1,500,000,000	108,047,309	1,080,473,090	Stock warrant of NT\$475,500 and convertible bond conversion of NT\$56,305,590	None	Note19
2012.04	10	150,000,000	1,500,000,000	110,344,583	1,103,445,830	Convertible bond conversion of NT\$22,972,740	None	Note20
2012.07	10	150,000,000	1,500,000,000	110,501,336	1,105,013,360	Convertible bond conversion of NT\$1,567,530	None	Note21
2012.08	10	200,000,000	2,000,000,000	116,051,336	1,160,513,360	Capital reserve transferred to capital of NT\$55,500,000	None	Note22

Year/Month	Issue Price	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Non-cash assets in lieu of capital	Others
2012.10	10	200,000,000	2,000,000,000	116,054,336	1,160,543,360	Stock warrant of NT\$30,000	None	Note23
2013.01	10	200,000,000	2,000,000,000	116,074,538	1,160,745,380	Convertible bond conversion of NT\$202,020	None	Note24
2014.03	10	200,000,000	2,000,000,000	121,808,652	1,218,086,520	Convertible bond conversion of NT\$57,341,140	None	Note25
2014.07	10	200,000,000	2,000,000,000	132,763,179	1,327,631,790	Convertible bond conversion of NT\$109,545,270	None	Note26
2015.05	10	200,000,000	2,000,000,000	134,763,179	1,347,631,790	Issuance of restricted stock awards of NT\$20,000,000	None	Note27
2015.10	10	200,000,000	2,000,000,000	134,643,179	1,346,431,790	Retirement of restricted stock awards of NT\$1,200,000	None	Note28
2016.01	10	200,000,000	2,000,000,000	132,623,179	1,326,231,790	Retirement of treasury stocks and restricted stock awards of NT\$20,200,000	None	Note29
2016.07	10	200,000,000	2,000,000,000	132,536,379	1,325,363,790	Retirement of restricted stock awards of NT\$868,000	None	Note 30
2017.01	10	200,000,000	2,000,000,000	132,382,379	1,323,823,790	Retirement of restricted stock awards of NT\$1,540,000	None	Note 31
2017.05	10	200,000,000	2,000,000,000	132,354,379	1,323,543,790	Retirement of restricted stock awards of NT\$280,000	None	Note 32
2018.02	10	200,000,000	2,000,000,000	130,302,379	1,303,023,790	Retirement of treasury stocks and restricted stock awards of NT\$20,520,000	None	Note 33
2018.07	10	200,000,000	2,000,000,000	130,020,379	1,300,203,790	Retirement of restricted stock awards of NT\$2,820,000	None	Note 34
2019.08	10	200,000,000	2,000,000,000	125,020,379	1,250,203,790	Retirement of treasury stocks of NT\$50,000,000	None	Note 35
2019.01	10	200,000,000	2,000,000,000	125,001,379	1,250,013,790	Retirement of restricted stock awards of NT\$190,000	None	Note 36
2019.05	10	200,000,000	2,000,000,000	123,001,379	1,230,013,790	Retirement of treasury stocks of NT\$20,000,000	None	Note 37
2019.07	10	200,000,000	2,000,000,000	125,001,379	1,250,013,790	Issuance of restricted stock awards of NT\$20,000,000	None	Note 38
2020.08	10	200,000,000	2,000,000,000	122,556,379	1,225,563,790	Retirement of treasury stocks and restricted stock awards of NT\$24,450,000	None	Note 39
2021.07	10	200,000,000	2,000,000,000	122,528,560	1,225,285,600	Retirement of restricted stock awards of NT\$330,000 and convertible bond conversion of NT\$51,810	None	Note 40
2021.10	10	200,000,000	2,000,000,000	128,207,278	1,282,072,780	Convertible bond conversion of NT\$56,787,180	None	Note 41
2022.03	10	200,000,000	2,000,000,000	128,861,726	1,288,617,260	Convertible bond conversion of NT\$6,544,480	None	Note 42

Note1: Approval document, MOEACRO (90) No. 09032876610 dated October 4, 2001 issued by Central Region Office, Ministry of Economic Affairs.

Note2: Approval document, MOEACRO No. 09132999770 dated November 19, 2002 issued by Central Region Office, Ministry of Economic Affairs.

Note3: Approval document, MOEACRO No. 09233049910 dated December 3, 2003 issued by Central Region Office, Ministry of Economic Affairs.

Note4: Approval document, MOEACRO No. 09332725070 dated September 22, 2004 issued by Central Region Office, Ministry of Economic Affairs.

Note5: Approval document, MOEACRO No. 09432618530 dated August 8, 2005 issued by Central Region Office, Ministry of Economic Affairs.

Note6: Approval document, MOEACRO No. 09533032650 dated October 25, 2006 issued by Central Region Office, Ministry of Economic Affairs.

- Note7: Approval document, MOEACRO No. 09632544990 dated August 6, 2007 issued by Central Region Office, Ministry of Economic Affairs. This was the first employee stock option (ESO) for 2006 issued in November 2006 of 1,000 units. Each unit subscribed amounted to 1,000 ordinary shares. The subscription price amounted to NT\$20 per share (in year end of 2005, EPS indicated in the audited financial statement amounted to NT\$13.0 per share). The subscribers were employees who had 3.5 month lapse since restricted stock awards were vested. The duration period amounted to 6.5 months.
- Note8: Approval document, MOEACRO No. 09632676610 dated August 27, 2007 issued by Central Region Office, Ministry of Economic Affairs.
- Note9: Approval documents, FSC I No. 0960067553 dated November 30, 2007 issued by Financial Supervisory Commission, and MOEAC No. 09731736800 issued by MOEA dated February 18, 2008.
- Note10: Approval documents, FSC I No. 0970035161 dated July 14, 2008 issued by Financial Supervisory Commission, and MOEAC No. 09733000070 issued by MOEA dated September 15, 2008.
- Note11: Approval documents, FSCF No. 0980033755 dated July 7, 2009 issued by Financial Supervisory Commission, and MOEAC No. 09801201710 issued by MOEA dated September 3, 2009.
- Note12: Approval document, FSC I No. 0960051593 dated September 27, 2007 issued by Financial Supervisory Commission. This was the first ESO for 2007 issued in 2,000 units. Each unit subscribed amounted to 1,000 ordinary shares. The subscription price amounted to NT\$25 per share (as of the year end of 2005, EPS indicated in the audited financial statement amounted to NT\$19.8 per share). The subscribers were employees who had 2 year lapse since restricted stock awards were vested. They may subscribe according to schedule and proportion. The duration period amounted to 6 years. This was the first exercise. A total of 810 thousand shares, with a striking price of NT\$15.4 per share (subsequent to earnings distribution for 2009, the subscription price dropped from NT\$19.47 per share to NT\$15.4 per share).
- Note13: Approval documents, FSCF No. 0980050701 dated September 28, 2009 issued by Financial Supervisory Commission, and MOEAC No. 09801272850 issued by MOEA dated November 25, 2010.
- Note14: Approval documents, FSCF No. 0990024463 dated May 14, 2010 issued by Financial Supervisory Commission, and MOEAC No. 09901141920 issued by MOEA dated July 6, 2010.
- Note15: Approval document, MOEAC No. 09901234190 issued by MOEA dated October 18, 2010. This was the second exercise for ESO issued in 2007 of 380 thousand shares with a striking price of NT\$11.0 per share (subsequent to earnings distribution for 2010, the subscription price dropped from NT\$15.4 per share to NT\$11.0 per share).
- Note16: Approval documents, FSCF No. 0990039027 dated July 26, 2010 issued by Financial Supervisory Commission, and MOEAC No. 09901266400 issued by MOEA dated October 18, 2010.
- Note17: Approval documents, FSCF No. 1000027166 dated June 17, 2011 issued by Financial Supervisory Commission, and MOEAC No. 10001171160 issued by MOEA dated August 1, 2011.
- Note18: Approval document, MOEAC No. 10001242400 issued by MOEA dated October 21, 2011. This was the third exercise for ESO issued in 2007 of 249 thousand shares with a striking price of NT\$10 per share (subsequent to earnings distribution for 2011, the subscription price dropped from NT\$11.0 per share to NT\$10 per share).
- Note19: Approval document, MOEAC No. 10101038520 issued by MOEA dated March 8, 2012. This was the fourth exercise for ESO issued in 2007 and a conversion of corporate bonds of 5,679 thousand shares in total with a striking price of NT\$10 per share and a conversion price of NT\$55.5 per share.
- Note20: Approval document, MOEAC No. 10101061950 issued by MOEA dated April 11, 2012. A conversion of corporate bonds of 2,297 thousand shares was performed, with a conversion price of NT\$55.5 per share.
- Note21: Approval document, MOEAC No. 10101140680 issued by MOEA dated July 17, 2012. A conversion of corporate bonds of 157 thousand shares was performed, with a conversion price of NT\$55.5 per share.
- Note22: Approval documents, FSCF No. 1010028684 dated June 28, 2012 issued by Financial Supervisory Commission, and MOEAC No. 10101181490 issued by MOEA dated August 31, 2012.
- Note23: Approval document, MOEAC No. 10101211200 issued by MOEA dated October 12, 2012. This was the fifth exercise for ESO issued in 2007 of 3 thousand shares in total with a striking price of NT\$10 per share.
- Note24: Approval document, MOEAC No. 10201002490 issued by MOEA dated January 8, 2013. A conversion of corporate bonds of 20 thousand shares was performed, with a conversion price of NT\$49.50 per share.
- Note25: Approval document, MOEAC No. 10301053520 issued by MOEA dated March 26, 2014. A conversion of corporate bonds of 5,734 thousand shares was performed, with a conversion price of NT\$34.46 per share.
- Note26: Approval document, MOEAC No. 10301142680 issued by MOEA dated July 18, 2014. A conversion of corporate bonds of 10,955 thousand shares was performed, with a conversion price of NT\$34.46 per share.
- Note27: Approval document, MOEAC No. 10401069270 issued by MOEA dated May 5, 2015. Restricted stock awards of 2,000 thousand shares were issued, with a par value of NT\$10 per share.
- Note28: Approval document, MOEAC No. 10401218730 issued by MOEA dated October 30, 2015. Restricted stock awards of 120 thousand shares were canceled, with a par value of NT\$10 per share.
- Note29: Approval document, MOEAC No. 10501002430 issued by MOEA dated January 12, 2016. Treasury stocks and restricted stock awards of 2,000 thousand shares and 20 thousand shares respectively were canceled, both of which with a par value of NT\$10 per share.
- Note30: Approval document, MOEAC No. 10501175540 issued by MOEA dated July 29, 2016. Restricted stock awards of 86.8 thousand shares were canceled, with a par value of NT\$10 per share.
- Note31: Approval document, MOEAC No. 10601002440 issued by MOEA dated January 18, 2017. Restricted stock awards of 154 thousand shares were canceled, with a par value of NT\$10 per share.
- Note32: Approval document, MOEAC No. 10601065050 issued by MOEA dated May 22, 2017. Restricted stock awards of 28 thousand shares were canceled, with a par value of NT\$10 per share.
- Note33: Approval document, MOEAC No. 10701003310 issued by MOEA dated February 2, 2018. Treasury stocks and restricted stock awards of 2,000 thousand shares and 52 thousand shares respectively were canceled, both of which with a par value of NT\$10 per share.
- Note34: Approval document, MOEAC No. 10701075880 issued by MOEA dated July 6, 2018. Restricted stock awards of 282 thousand shares were canceled, with a par value of NT\$10 per share.

Note35: Approval document, MOEAC No. 10701102410 issued by MOEA dated August 13, 2018. Treasury stocks of 5,000 thousand shares were canceled, with a par value of NT\$10 per share.

Note36: Approval document, MOEAC No. 10801002990 issued by MOEA dated January 11, 2019. Restricted stock awards of 19 thousand shares were canceled, with a par value of NT\$10 per share.

Note37: Approval document, MOEAC No. 10801055070 issued by MOEA dated May 16, 2019. Treasury stocks of 2,000 thousand shares were canceled, with a par value of NT\$10 per share.

Note38: Approval document, MOEAC No. 10801092600 issued by MOEA dated July 19, 2019. Restricted stock awards of 2,000 thousand shares were issued, with a par value of NT\$10 per share.

Note39: Approval document, MOEAC No. 10901156910 issued by MOEA dated August 27, 2020. Treasury stocks and restricted stock awards of 1,618 thousand shares and 827 thousand shares respectively were canceled, both of which with a par value of NT\$10 per share.

Note 40: Approval document, MOEAC No. 11001130500 issued by MOEA dated July 27, 2021. Restricted stock awards were canceled and capital reduced by 33 thousand shares. A conversion of corporate bonds of 5 thousand shares were performed, with a conversion price of NT\$19.30 per share and a par value of NT\$10 per share.

Note 41: Approval document, MOEAC No. 11001190150 issued by MOEA dated October 21, 2021. A conversion of corporate bonds of 5,679 thousand shares was performed, with a conversion price of NT\$19.30 per share.

Note 42: Approval document, MOEA No. 11101036760 issued by MOEA dated March 24, 2022. A conversion of corporate bonds of 654 thousand shares was performed, with a conversion price of NT\$19.10 per share.

April 24, 2022; unit: share

Type of shares	Authorized Shares			Remarks
	Outstanding shares	Unissued shares	Total	
Common share	128,861,726	71,138,274	200,000,000	Publicly traded shares

## (2) Shareholder structure

Shareholding record date: April 24, 2022

Unit: Person; Share; %

Shareholder structure; Volume	Government institution	Financial institution	Other juristic person	Foreign institution and foreigner	Individual	Total
Number of persons	0	2	241	47	27,844	28,134
Shares held	0	22,068	44,002,366	3,858,441	80,978,851	128,861,726
Shareholding ratio	0.00%	0.02%	34.15%	2.99%	62.84%	100.00%

(3) Distribution of shares

April 24, 2022; unit: person; share

Shareholding bracket	Number of shareholders	Shares held	Shareholding percentage (%)
1 to 999	17,929	439,319	0.34%
1,000 to 5,000	8,021	16,357,330	12.69%
5,001 to 10,000	1,114	8,681,769	6.74%
10,001 to 15,000	363	4,546,562	3.53%
15,001 to 20,000	211	3,917,165	3.04%
20,001 to 30,000	195	4,988,093	3.87%
30,001 to 50,000	128	5,121,032	3.98%
50,001 to 100,000	83	5,719,344	4.44%
100,001 to 200,000	39	5,492,110	4.26%
200,001 to 400,000	21	5,172,910	4.01%
400,001 to 600,000	11	5,306,901	4.12%
600,001 to 800,000	0	0	0.00%
800,001 to 1,000,000	2	1,791,151	1.39%
More than 1,000,001	17	61,328,040	47.59%
Total	28,134	128,861,726	100.00%

(4) List of major shareholders:

April 24, 2022

Major shareholder \ Share	Shares held	Shareholding percentage (%)
Liangdian Investment Co., Ltd.	16,556,182	12.85%
Epistar Corporation	5,746,000	4.46%
Harvatek Corporation	5,112,375	3.97%
Weixin Investment Limited	4,340,140	3.37%
Fang-Long Huang	3,800,000	2.95%
Qing-Zong Li	2,905,000	2.25%
Jason Wu	2,787,397	2.16%
Chu Chi Investment and Development Co., Ltd.	2,694,348	2.09%
YOUNGTEK ELECTRONICS CORP.	2,424,149	1.88%
Bi-Ling Li	2,371,000	1.84%
Total	48,736,591	37.82%

- (5) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Unit: NT\$

Item \ Year			2020	2021	2022, as of March 31 (Note 8)
Market price per share (Note 1)	Highest		19.50	31.50	23.90
	Lowest		7.53	16.05	18.75
	Average		12.05	21.51	21.15
Net worth per share (Note 2)	Before distribution		20.93	20.49	Not applicable
	After distribution		20.60	(Note 9)	Not applicable
Earnings per share	Weighted average number of shares (thousand shares)		119,058	120,537	124,792
	Earnings per share (Note 3)	Before Retrospectively Adjustment	0.35	1.00	0.13
		After Retrospectively Adjustment	0.35	(Note 9)	Not applicable
Cash dividend per share	Cash dividends		0.334570	(Note 9)	-
	Stock dividend	Stock dividend from retained earnings	-	-	-
		Capital reserve dividend	-	(Note 9)	-
	Accumulated unpaid dividend (Note 4)		-	-	-
Profitability analysis	Price-to-Earning Ratio (Note 5)		34.43	(Note 9)	Not applicable
	Price-to-Dividend Ratio (Note 6)		36.02	(Note 9)	Not applicable
	Cash dividend yield (Note 7)		2.78	(Note 9)	Not applicable

Note 1: To indicate the highest and lowest market price for common shares. The yearly average market price is computed using yearly transaction amount and volume.

Note 2: Please indicate based on the number of shares issued as of year end and the distribution resolved by the Shareholders' Meeting in the following year.

Note 3: In the event that no retrospective adjustment is required due to issuance of stock dividend, indicate the EPS before and after adjustment.

Note 4: In the event that the criteria of equity securities issuance provide that undistributed dividend for the year may be accumulated and distributed in a profitable year, please disclose respectively the accumulated unpaid dividend for the year.

Note 5: Price / earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash dividend yield rate = cash dividend per share / average closing price per share for the year.

Note 8: Please indicate the net worth per share and EPS based on information as of the publication date of the audited (reviewed) financial report for the latest quarter; for other information, please indicate based on information as of the publication date of the annual report. Financial statements for 2022Q1 have been audited.

Note 9: The proposal for 2021 earnings distribution awaited the approval of 2022 Shareholders' Meeting by resolution.

(6) Dividend Policy and Implementation Status

1.Dividend policy:

If the Company has any surplus in the earnings as concluded by the annual accounting book close, the Company shall pay tax and make up for the accumulated losses first, and then set aside 10% as legal reserve, but if the legal reserve has reached the amount of the Company's paid-in capital, no further provision shall be made, and the remainder shall be set aside or reversed as special reserve in accordance with the Securities and Exchange Act; if there is any remaining balance, the Board of Directors shall, together with the accumulated undistributed earnings, prepare an earnings distribution proposal and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is to distribute dividends to shareholders at a rate of not less than 60% of the available-for-distribution earnings each year, with the capital, financial structure, operating conditions, future development plans, capital requirements, domestic and international competition taken into account, as well as the interests of shareholders. If the accumulated available-for-distribution earnings are less than 20% of the paid-in capital, no earnings distribution should be made. Dividends may be distributed to shareholders in cash or in stock, with cash dividends not less than 10% of the total dividends.

2.Distribution of dividend:

- (1) As per the Board of Directors resolution on February 24, 2022, the profit distribution table for 2022 submitting to the Shareholders' Meeting is as follows:

Edison Opto Corporation  
PROFIT DISTRIBUTION TABLE

Unit: NT\$

Item	Amount	
	Subtotal	Total
Undistributed earnings at the beginning of the period		3,569,551
Undistributed earnings for 2021		
Add: Net profit after tax for 2021	120,257,714	
Add: Change in actuarial gain and loss for the period	360,000	120,617,714
Available-for-distribution earnings for the period		124,187,265
Distributable items:		
Provision for legal reserve	(12,061,771)	
Provision of special reserve for deduction from equity	(112,125,494)	(124,187,265)
Undistributed retained earnings at the end of the period		0



(2) Proposed dividend distribution in 2021 Shareholders' Meeting

Unit: NT\$

Dividend Year	Dividend distribution date resolved by the Board resolution	Stock dividend			
		Cash dividends	Cash dividend from capital reserve	Stock dividend from capital reserve	Stock dividend from retained earnings
2021	2022.02.24	0	35,000,000 (NT\$0.27808294 per share)	65,000,000 (NT\$0.05164390 per share)	0

3. Anticipated major change in dividend policy: None.

(7) Effect of the proposed stock dividends at the shareholders' meeting on the Company's operating results and earnings per share: Not applicable. As per the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to disclose financial forecast.

(8) Amount or scope of employee compensation and Director remuneration

1. Amount or scope employee compensation and Director remuneration as per the Articles of Incorporation

Item	Amount or scope
Employee compensation	Each year, if the Company is profitable, 5% to 15% of the profit shall be appropriated as employee compensation. The Board of Directors shall determine by resolution to distribute the compensation in stock or cash. The eligible party shall be employees of the Company or its affiliates that meet certain criteria. However, if the Company has accumulated losses, the amount of losses make-up shall be reserved in advance and then the employees and Directors' profit-sharing remuneration shall be appropriated in accordance with the aforementioned percentages.
Director remuneration	The Board of Directors shall determine by resolution to distribute not more than 3% of the aforementioned profit amount as the Director remuneration.

2. The basis for the estimation of the amount of employee compensation and Director remuneration, computation basis of number of stock dividend for the current period (2021), and the accounting treatment in the event of a difference between the estimated amount and the actual compensation and remuneration paid in shares or cash:



For a profitable fiscal year (a profitable fiscal year refers to the annual profit before tax before deducting the employee compensation and director remuneration), the Company shall first offset the accumulated losses before appropriating and recognizing 5% and 1.2% of the profit as employee compensation and Director remuneration, which are expenses for the year. In the event that the actual disbursement differs from the estimated amount, the deviation amount shall be recognized as a profit or loss in the following year.

### 3.Compensation and remuneration resolved by the Board of Directors:

(1) Employee compensation and Director remuneration in cash or shares. In the event that the actual disbursement differs from the estimated amount, the deviation amount, causes and measures taken shall be disclosed:

On February 24, 2022, the Board of Directors approved 2021 employee compensation and Director remuneration by resolution as follows:

Unit: NT\$

Item	Board resolution	Recognition of compensation and remuneration for the year	Deviation
Employee compensation (cash)	6,500,000	6,500,000	0
Director remuneration (cash)	1,500,000	1,500,000	0
Total	8,000,000	8,000,000	0

(2) Employee compensation distributed in stock, and the said compensation as a percentage of the sum of after-tax profit and total employee compensation in the standalone financial statements: Not applicable as no distribution has been made.

4.Actual disbursement of employee compensation and Director remuneration for the preceding year (2020; including employee stocks, cash disbursement and share prices). Where the actual disbursed amount differs from the recognized amount, the deviation amount, causes and measures shall be disclosed:

Unit: NT\$

Item	Shareholders' Meeting (2021.07.15) Disbursed amount	Proposed distributed amount (2021.02.25) by the Board of Directors previously	Deviation	Cause of deviation
Employee compensation (cash)	2,250,000	2,250,000	0	None
Director remuneration (cash)	450,000	450,000	0	None
Total	2,700,000	2,700,000	0	None

(9) Repurchase of the Company's shares:

April 30, 2022

Repurchase round	5th round	6th round
Purpose for repurchase	Transfer of shares to employees	Protection of corporate credit and shareholders' interests
Repurchase period	2018/11/7-2018/12/21	2020/04/01-2020/05/31
Repurchase price range	NT\$12 to NT\$19 per share	NT\$7.5 to NT\$15 per share
Type and number of shares repurchased	Common stock 3,000 thousand shares	Common stock 1,618 thousand shares
Number of shares repurchased	NT\$42,337 thousand	NT\$19,832 thousand
Actual shares repurchased as a percentage of predetermined shares repurchased (%)	100.00%	53.93%
Number of shares retired and transferred	0thousand shares	1,618thousand shares
Cumulative number of shares held in the Company	3,000thousand shares	3,000thousand shares
Cumulative number of shares held in the Company as a percentage of total issued shares (%)	2.45%	2.45%

## 2. Corporate bonds:

Types of corporate bonds		Third domestic secured convertible corporate bonds
Date of issuance		2021/01/25
Issuance and trading location		Taipei Exchange
Issue price		Issued at 101% of the face value
Total principal		NT\$300,000,000
Interest rate		0% coupon rate
Tenure		Three-year; maturity date: January 25, 2024
Credit guarantee institution		Taipei Fubon Commercial Bank Co., Ltd.
Underwriter		Fubon Securities Co. Ltd.
Legal counsel		Not applicable
CPA		Not applicable
Repayment method		Apart from the bondholders exercising conversion to common shares as per article 10 and redemption as per article 18 of the terms of corporate bond issuance and conversion, and the Company recalling and retiring the bonds as per article 19, the repayment upon maturity shall be made with a bullet payment in cash at 100.7519% of the face value.
Unpaid principal		NT\$300,000,000
Criteria of redemption or early repayment		Please see article 18 of the terms of corporate bond issuance and conversion
Covenants		None
Credit rating agency, date of rating and rating of corporate bond		Not applicable
Other equity	The amount of converted (exchanged or subscribed) common shares	None
	Issuance and conversion	Please see the terms of corporate bond issuance and conversion
Dilution effect and other adverse effects on existing shareholders		Please see page 78 to 79 of the bond issuance prospectus.
Custodian		None

### Convertible corporate bonds

Types of corporate bonds		Third domestic secured convertible corporate bonds	
Year		2021	As of March 31, 2022
Item			
Market price of convertible corporate bonds	Highest	NT\$152.00	NT\$129.50
	Lowest	NT\$111.10	NT\$116.75
	Average	NT\$127.13	NT\$122.50
Conversion price		NT\$19.30	NT\$19.10
Date of issuance and conversion price at issuance		Date of issuance: January 25, 2021 Conversion price at issuance: NT\$19.30	
Underwriter		Fubon Securities Co. Ltd.	
Method by which conversion obligations will be satisfied		Issuance of new shares	

3. Preferred shares: None.
4. Overseas depositary receipts: None.
5. Employee stock option: None.

## 6. Restricted stock awards:

- (1) Restricted stock awards that have yet to meet the vesting conditions and effect on existing shareholders

April 30, 2022

Types of restricted stock awards	Second restricted stock awards
Effective date declared	July 25, 2018
Date of issuance	July 2, 2018
Issued restricted stock awards	2,000,000 shares
Issue price	The issuing price is gratuitous
Issued restricted stock award shares as a percentage of total issued shares	1.55%
Vesting conditions of restricted stock awards	<p>Employees have to wait for a one-year lapse since restricted stock awards are vested. If they are still with the Company, the Company and individual performance indicators are met, and they have met the vesting conditions, the shareholding proportions are as follows:</p> <ol style="list-style-type: none"> <li>1. The financial performance of the Company meeting the yearly revenue and net profit after tax targets as an indicator: Growth of consolidated revenue for four quarters prior to the vesting date by more than 15% as compared to the same period of the preceding year, or a net profit after tax of the audited financial statement for the preceding year prior to the vesting date is made.</li> <li>2. Individual performance indicators: <ol style="list-style-type: none"> <li>(1) Vesting points of time: <ol style="list-style-type: none"> <li>a. Point of time I: One-year lapse since restricted stock awards are vested.</li> <li>b. Point of time II: Two-year lapse since restricted stock awards are vested.</li> <li>c. Point of time III: Three-year lapse since restricted stock awards are vested.</li> </ol> </li> <li>(2) Vesting proportion: <ol style="list-style-type: none"> <li>a. Point of time I: Upper limit at 40% of vesting shares. Those receiving grade excellent or above for yearly performance appraisal shall be granted 40% of vesting shares; those receiving grade A for yearly performance appraisal shall be granted 32% of vesting shares; those receiving grade B or below for yearly performance appraisal shall be granted 0% of vesting shares.</li> <li>b. Point of time II: Upper limit at 30% of vesting shares. Those receiving grade excellent or above for yearly performance appraisal shall be granted 30% of vesting shares; those receiving grade A for yearly performance appraisal shall be granted 24% of vesting shares; those receiving grade B or below for yearly performance appraisal shall be granted 0% of vesting shares.</li> <li>c. Point of time III: Upper limit at 30% of vesting shares. Those receiving grade excellent or above for yearly performance appraisal shall be granted 30% of vesting shares; those</li> </ol> </li> </ol> </li> </ol>

	receiving grade A for yearly performance appraisal shall be granted 24% of vesting shares; those receiving grade B or below for yearly performance appraisal shall be granted 0% of vesting shares.
Restrictions for restricted stock awards	Except for inheritance, the restricted stock awards shall not be sold, pledged, transferred, gifted to others, configured as a guarantee or disposed via other means.
Custody of restricted stock awards	After employees are granted the restricted stock awards, the Company shall register the shares granted on the shareholder register and deliver common shares newly issued by a book-entry transfer. In the event that the custody of the shares is managed by a trust, the shares shall be entrusted within the vesting period as per the trust agreement.
Restricted stock awards granted or subscribed but vesting conditions not met	The Company shall recall without consideration and retire the shares. However, the bonus shares and dividend derived need not be returned by the employees.
Recalled or repurchased restricted stock award shares	860,000 shares
Shares released of restrictions	570,000 shares
Shares yet to be released of restrictions	570,000 shares
Shares yet to be released of restrictions as a percentage of total issued shares (%)	0.44%
Effect on existing shareholders	The EPS dilution effect for 2018, 2019, 2020 and 2021 is forecast to be NT\$0.031, NT\$0.084, NT\$0.069 and NT\$0.046 respective, which has not constituted a major influence on the shareholders' interest.

(2) Name and accumulated restricted stock award acquisition of top ten managers and employees

April 30, 2022

Position	Name	Restricted stock award shares acquired	Restricted stock award shares acquired as a percentage of total issued shares	Restrictions released				Restrictions yet to be released			
				Shares released of restrictions	Issue price	Amount issued	Shares released of restrictions as a percentage of total issued shares	Shares yet to be released of restrictions	Issue Price	Amount issued	Shares yet to be released of restrictions as a percentage of total issued shares
President	Jason Wu	625,000	0.49%	437,500	0	0	0.34%	187,500	0	0	0.15%
Senior Associate Manager	Yaochuan Hong										
Senior Associate Manager	Cheng-Dian Hsu										
Associate Manager	Guolun Liao										
Associate Manager	Qingyuan Liu										
Associate Manager	Kundian He										
Senior director	Xiaojun Wang										
Manager											

Position	Name	Restricted stock award shares acquired	Restricted stock award shares acquired as a percentage of total issued shares	Restrictions released				Restrictions yet to be released			
				Shares released of restrictions	Issue price	Amount issued	Shares released of restrictions as a percentage of total issued shares	Shares yet to be released of restrictions	Issue Price	Amount issued	Shares yet to be released of restrictions as a percentage of total issued shares
Employee	Special assistant	Wang, Li-Li	619,000	433,300	0	0	0.34%	185,700	0	0	0.14%
	Special assistant	Chen, Chiu-Man									
	Director	Wu, Wei-Chieh									
	Vice director	Hsu, Shu-Ling									
	Senior manager	Chou, Hsiang-Chi									
	Senior manager	Chang, Hao-Yun									
	Senior manager	Huang, Po-Hao									
	Senior manager	Tseng, Kuo-Fung									
	Manager	Wang, Hung-Chan									
	Supervisor	Chang, Yi-Yi									

**7. Issuance of New Shares with Shares Acquired or Assigned from Other Companies: None.**

**8. Implementation of the Fund Usage Plan:**

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent three years but have yet fully yielded the planned benefits: None.



## V. Business Overview

### i. Business Activities

#### (i) Scope of business

#### 1. Principal business activities of the Company and subsidiaries:

- (1) Lighting Facilities Manufacturing.
- (2) Electronic Parts and Components Manufacturing
- (3) Traffic Signs Installation Engineering
- (4) Traffic Marking Engineering
- (5) Wholesale of Electronic Materials
- (6) Retail Sale of Traffic Sign Equipments and Materials
- (7) Retail Sale of Electronic Materials
- (8) International Trade
- (9) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

#### 2. Main products of the Company and subsidiaries and percentage relative to consolidated revenues - 2021:

Unit: NTD thousands; %

Main products	Operating revenues	Weight of operating revenues
LED transmitter component	224,281	11.80
LED lighting component	525,671	27.65
LED lighting module and product	733,079	38.56
Automotive LED lighting module	394,249	20.73
Others	23,958	1.26
Consolidated operating revenues	1,901,238	100.00

#### 3. Current main products of the Company and subsidiaries:

##### (1) LED lighting components

##### A. High power LED components

High power LED offers several advantages including lighting efficiency and energy efficiency. The high power LED components mass-produced by the Company and subsidiaries have been developed with a special emphasis on optical design, which makes them suitable for professional lighting applications that require higher luminance and higher efficiency. The component covers high power products ranging from 1W to 30W and is used in several professional lighting applications (such as commercial lighting, automotive lighting, stage/photography/studio lighting, aquarium lighting etc.), making it a versatile solution for virtually all types of needs. For stage/photography/studio lighting, Edison Opto offers high color rendering index (CRI) design to support flexible light mixing. As for the emerging electric vehicles market, the Company offers a comprehensive range of automotive lighting solutions that uses a specialized

eutectic process and component array to minimize light-emitting surface while solving common issues of conventional LED head lamp (i.e. low luminance in low beam and short distance in high beam). All product lines have been designed in accordance with ISO14001 not only to conform with legal requirements on colors and specifications, but also to offer high degree of reliability under extreme conditions. To accommodate market demand, the Company and subsidiaries have been actively developing the COB/DOB series that offer low thermal resistance and high luminance. Products featuring different wattage and color temperature have been introduced to the market, thereby allowing customers to more easily and more quickly design next generation of lighting solutions.

#### B. LED (PLCC) components

PLCC component offers several advantages including low cost, favorable price-to-performance, and broad applications. The Company and subsidiaries have persistently improved their mid power and low power PLCC-assembled SMD LED offerings to accommodate customers that demand lighting solutions for different types of electronics. The PLCC series also has high efficiency, high stability, and high luminance selections to choose from. Most products have passed the LM-80 standard to provide customers with the best assurance. PLCCs are mainly used for signage, lightbox, landscape light, downlight, bulletin/signboard backlight, meter readings and tracking light, machine vision lighting, and indoor supplementary lighting. PLCCs can also be used on vehicles as decorative light, headlamp, fog light, turn signal, brake light, tail light etc. Factory quality has passed IATF16949 certification, whereas product quality has passed AEC-Q standards for more high-end services and applications.

#### (2) LED lighting modules and products

With respect to lighting modules and products, all of the Company's offerings have been designed to conform with the world's latest legal requirements (such as UL/ETL/CE/BSMI). The Company would also seek special safety certifications for different lighting equipment as requested by customers, and support customers' new lighting designs or replacement solutions as ways to optimize the product lineup.

Being the provider of professional LED solutions, the Company and subsidiaries not only invest extensive amounts of capital and manpower into developing the latest LED components and modules, but are also committed to promoting proprietary LDMS (Lighting Design Manufacturing Service) for LED lighting solutions. LDMS is an integrated, customized design and manufacturing service that helps customers resolve technical challenges such as heat dissipation, circuitry, structural design, optical design etc. in their LED lighting equipment, so that customers can more easily and more quickly develop next generation of stationary lighting solutions.

#### (3) Automotive LED lighting modules

LED was first used in automotive lighting as brake lights for its short response time. As technologies evolve, high luminance LED lights become available and are now used for all lighting applications on a vehicle, including tail light, turn signal, daytime running lamp (DRL), low and high beam, in-vehicle reading lamp, dashboard lighting, ambient lighting, and a growing number of uses. Automotive LED lights not only meet stringent demands for environment friendliness and energy efficiency,

they are also capable of supporting the latest technologies and new circuitry designs, which make LED superior to conventional automotive lighting in every aspect. As use and production of incandescent lamps are banned around the world, demand for LEDs in automotive lighting will continue rising. According to LEDinside, new energy vehicles have exhibited rapid growth in 2020 despite uncertainties of the global economy, and will continue to be the main driver of car sales in the future. By 2023, automotive LED lighting solutions are estimated to reach a market size of US\$4.21 billion worldwide.

(4) LED transmitter component

Transducer encompasses a broad number of components including datalink, optical incremental encoder, photo-interrupter (ITR), and infrared receiver module (IRM).

(5) Special lighting

The Company constantly explores new LED applications. With regards to special lighting, the Company offers eye protection components that are intended to protect against vertical cavity surface-emitting lasers (VCSEL), a light source commonly used in the 3D sensing industry and for applications such as facial recognition, payment, and AR/VR. The Company has also developed UVC anti-microbial molds and solutions for COVID-19, with anti-microbial performance certified by reputable institution in Korea. Some of the final products are even shipped with the Company's patented eye protection devices.

4. New products planned for the future:

(1) LED components, modules, and products

A. Small size, high illumination, controllable dimming, high matching performance, linear high voltage module. High power factor, low-frequency flicker, high-voltage linear module

B. A thin, direct-lit panel lighting module with a lens with a large light-emitting angle LED modules for commercial lighting (including LED components with high luminous efficiency and high color rendering), which are used in embedded lamps, ceiling lamps, etc. The lamps can achieve high luminous efficacy of over 130lm/W and CRI over 90. High-power, high-CRI, high-efficiency LED surface light source components, ranging from 9W to 35W, are specially designed for indoor lighting (such as: lamp, bulb, etc.), with an efficiency of more than 120lm/W, and an average CRI of 90 above. All kinds of LED car lamp modules, our company has obtained the IATF16949 global automotive industry quality management system certification, which can ensure that the automotive products provided to customers have stable quality. At present, a variety of components and modules have been launched for automotive lighting such as headlights, reading lights and turn signals, which adopt ultra-thin miniature designs to provide automotive lamp manufacturers with excellent design flexibility. Encapsulated fog light module with high penetration and daylight color gamut.

(2) Intelligent street light controller and gateway, which can be applied to the network of road and street lights. They have functions such as brightness/switch control, voltage and current monitoring, fault notification, emergency help, automatic frequency hopping for

interference, automatic brightness adjustment, temperature/dumping detection, etc. Sensor elements and modules.

- (ii) Components used in eye protection, which are VCSEL light sources mainly required by the 3D sensing industry, and can also be used in face recognition, electronic payment, and AR/VR scenarios. In addition, UVC sterilization modules and finished goods developed in response to the prevalence of the new coronavirus can also be equipped with our patented eye protection components. Industry overview

## 1. Current and future industry prospects

Edison Opto and subsidiaries are mainly involved in the research, development, production, and sale of LED lighting components and modules, automotive LED lighting modules, sensor element , and special lighting solutions. LED lighting components, LED lighting modules, and automotive modules are primarily used in various forms of lighting equipment including: portable lights, vehicle lights, building lights, commercial lights, entertainment lights, street lamps, and indoor/outdoor lighting. Sensor element are used as transmission interface for digital audio signals in multimedia products, and their resistance against electromagnetic wave interference improves overall audio quality, which makes them suitable for sound systems, DVD players, STB, MP3, PS3 game consoles, desktop PCs, and laptops. Special lighting solutions are mainly used in applications such as facial recognition, AR/VR, automobiles, drones, biometrics, robotics, gaming devices, laptops, household equipment with TOF light source, anti-microbial and health protection.

Main business activities and products of Edison Opto and subsidiaries:

Company name	Main business activities or products
Edison Opto Corp.	Development, manufacturing, and sale of LED lighting components, modules, products, automotive components, and special lighting
Edison Opto (Dong Guan) Co., Ltd.	Research, development, manufacturing and sale of sensor element , LED modules and products
Yangzhou Edison Opto Corporation	Research, development, manufacturing, and sale of automotive LED components, LED lighting modules/products, and LED lighting components
Yangzhou Aichuang Electronic Trade Corporation	Supports Yangzhou Edison in the sale of LED lighting products
Alpha Investment Limited	Supports Edison Opto's business strategies and invests into strategic partners for vertical and horizontal cooperation
Edison Opto USA Corporation	Development and sale of LED lighting components and modules in USA
Ledionopto Intelligent Technology Co., Ltd.	Development and sale of commercial lighting products
Yangzhou Edison-Litek Opto Corporation	Research, development, manufacturing, and sale of automotive LED modules and products

Company name	Main business activities or products
Edison-Litek Opto Corp.	Manufacturing and sale of automotive LED modules and products
Edison-Egypt Opto Corporation	Sale of professional lighting products
Edison Auto Lighting Corporation	Sale of automotive LED modules

Overall, Edison Opto and subsidiaries are mainly involved in the research, development, production, and sale of LED lighting components, modules, and products, automotive components and modules, sensor element , and special lighting solutions. Below is a description of business risks for Edison Opto and subsidiaries, given their distinctive industry characteristics:

#### (1) Current and future industry prospects

##### C. Overview of the LED industry

"LED Manufacturing" refers to the business of producing various forms of LED components. Taiwan Industry Economics Services has classified "LED (Light Emitting Diode) Manufacturing" as "Other Optical Components Manufacturing" under "Optical Materials and Components Manufacturing" based on Version 10 of "Standard Industrial Classification System of the Republic of China" published by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

LED is an electronic component made from semiconductor materials that emits light when electricity passes through. These materials use chemicals from groups III-V of the periodic table (such as: gallium phosphide (GaP), gallium arsenide (GaAs) etc.) to convert electrical energy into light. By applying electrical current on semiconductor compounds made with different materials and taking advantage of electrons and electron holes, excess energy can be released in the form of light to achieve illumination. Different materials produce light at different wavelengths, and are perceived by the eye as different colors. LED is a luminescent light source and has a life span of more than 100,000 hours. LED offers significant advantages including zero idling time, fast response (about 10 seconds), small size, power efficiency, low pollution, and scalable production. It is also highly reliable to be used in miniaturized components or arrays, and is therefore highly versatile in terms of application. LEDs are mainly used in lighting, LCD backlight, and signage; lighting application can be further distinguished into general lighting, commercial lighting, automotive lighting, outdoor lighting, landscape lighting, and horticulture lighting. Global demand for lighting has the following characteristics:

##### ❖ Wide variety in small volume

There is such a wide variety of lighting products that the market can be generally classified not only by light source and equipment, but also by shape and purpose into: down light, spotlight, street lamp, floodlight, in-ground light, light steel frame, desk lamp, floor lamp etc. By light source, lighting solutions can be classified into incandescent lamp, halogen lamp, fluorescent tube, fluorescent bulb, high pressure mercury lamp, metal halide lamp, LED, OLED etc. Diversity of product line combined with endless possibilities of lighting design for different scenarios causes lighting equipment to be produced in wide variety and in small volume.

Considering how lighting equipment is less standardized and highly diversified, it is common for manufacturers to develop a broad spectrum of products but produce them in small quantities. Back-end vertical system integration and acquisition of sales channels and brands in local manufacturers are some of the strategies taken to accomplish the above. Distribution and brand are among the many critical elements that are critical to success in the industry, and cost is never the only determining factor.

#### ② Significance of localization

Lighting equipment tends to be bulky, costly to transport, highly diversified, and different depending on consumers' needs. As demands and product features vary from region to region, production has to be localized or carried out in the form of a regional manufacturing center in order to meet the different needs.

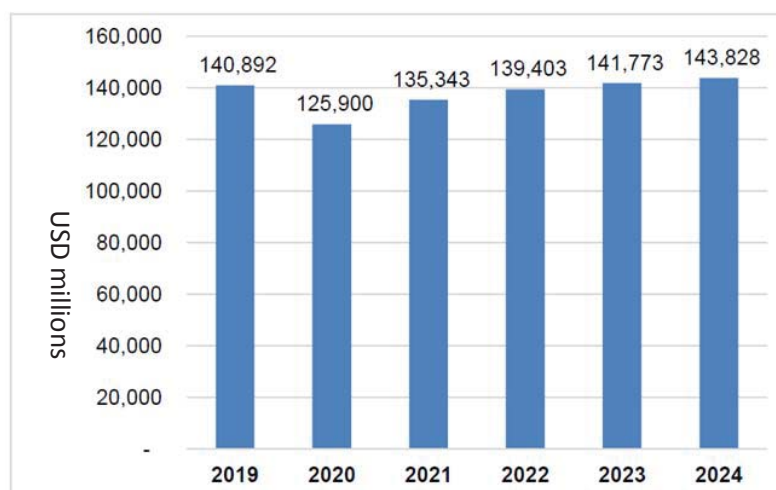
#### ③ Consumers are highly price sensitive

Lighting products are closely related to people's lives that consumers have become highly sensitive to price change. LED bulbs, for example, was unpopular when it was first introduced because the unit price far exceeded fluorescent bulbs. Today, the price of LED bulb is close to if not lower than fluorescent bulb, and has emerged to become the mainstream light source in just a few years.

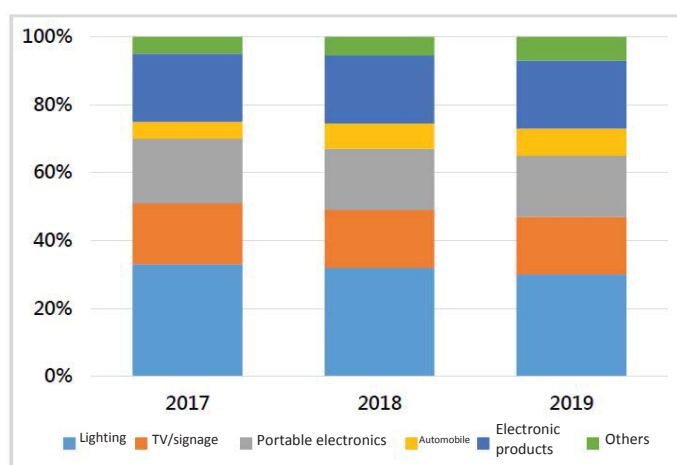
Global demand for lighting has been growing at a slow rate in recent years. Population growth, economic growth, urbanization, and energy conservation needs are some of the key demand drivers. The faster the economic growth and the higher the rate of urbanization, the higher the demand for office buildings, plants, services, and residence. Furthermore, increased wealth is often associated with the need to travel at night, and higher demand for lighting. Lighting is a highly localized business and there are only few global players. Vertical integration efforts in recent years have opened up opportunities and diversity for smart lighting solutions, which may change the future of lighting products and market. Faced with the uprise of smart lighting, global players are actively changing their existing business models to transform into lighting system providers. In addition to refining the current lighting technology, these global players have committed additional resources into developing visible light communication and accurate indoor positioning, and devised a series of strategies to transition from supplying standalone products to providing integrated solutions, systems, platforms, and services, while at the same time expand application from lighting to smart building/campus/city solutions. Overall, the lighting industry as a whole is transforming toward sustainability by incorporating digital, networking, and smart features, and had made noticeable efforts to carbon neutrality in 2020.

Although the global lighting industry has sustained positive growth in recent years, total market value increased only marginally by 2% to US\$140.8 billion in 2019 compared to 2018 due to weakened growth of the economy and intensive market competition. Outbreak of COVID-19 in 2020 hindered growth of the global economy to a higher degree, and lockdowns in some countries had impaired commercial activities and factory operations to such an extent that demand for lighting decreased as well. Value of the global lighting market was estimated to have declined by about 10.6% to US\$125.9 billion in 2020, as illustrated in the following figure.





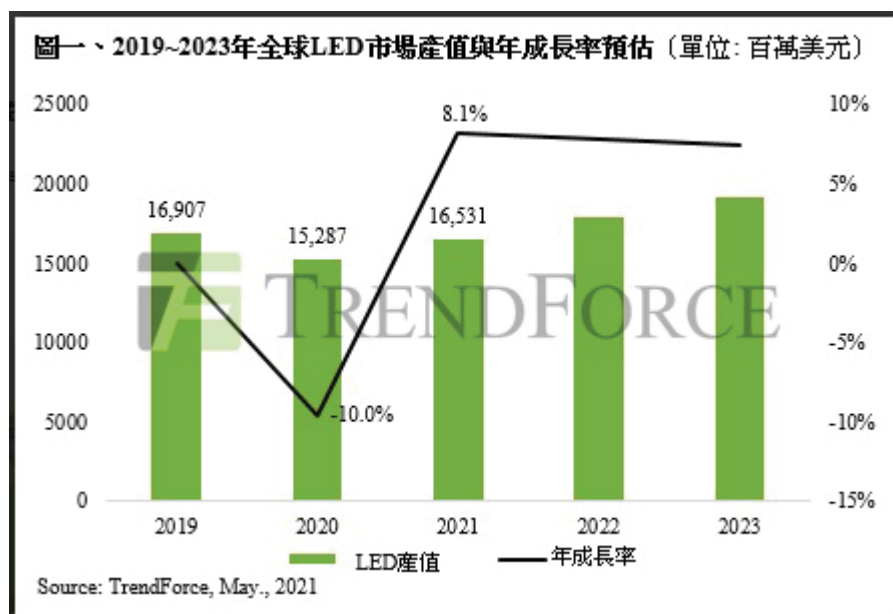
Electronics manufacturing, OEM, and assembly make up a dominant part of Taiwan's industrial activities, and as a result, LED components are sold mostly for use as backlights and indicators in products such as mobile phone, laptop, and displays. However, demand for backlight modules has saturated and market size for this particular application is starting to show signs of decline. Considering that there is still a sizable number of downstream manufacturers and given the efforts LED component suppliers have invested, backlight module will remain as the dominant application of LED components in Taiwan. In 2019, portable devices and backlight/signage aggregately accounted for 35% of LED components used domestically. Meanwhile, global demand for LED lighting continue to grow, which gives Taiwanese LED component manufacturers the motivation to take part in lighting applications. However, given how these products are unfavorably priced, the unit price has fallen with increased volume, which limits growth in terms of production value. For this reason, lighting only accounted for 30% of LED components used domestically in 2019. Automotive applications are explained in the chart below. While Taiwanese manufacturers are eager to take part, the automotive market presents high barrier of entry and takes long period of time to obtain the required certifications, which in turn limits revenue growth in the short term. This application currently accounts for a low percentage, but has increased progressively in production value and weight over the last 3 years.



Source: Taiwan Industry Economics Services (2020/5)  
Overall, the industry succumbed to the impact of COVID-19 in 2020, reporting a decrease in production value and a rate of decline that was rarely seen before. As

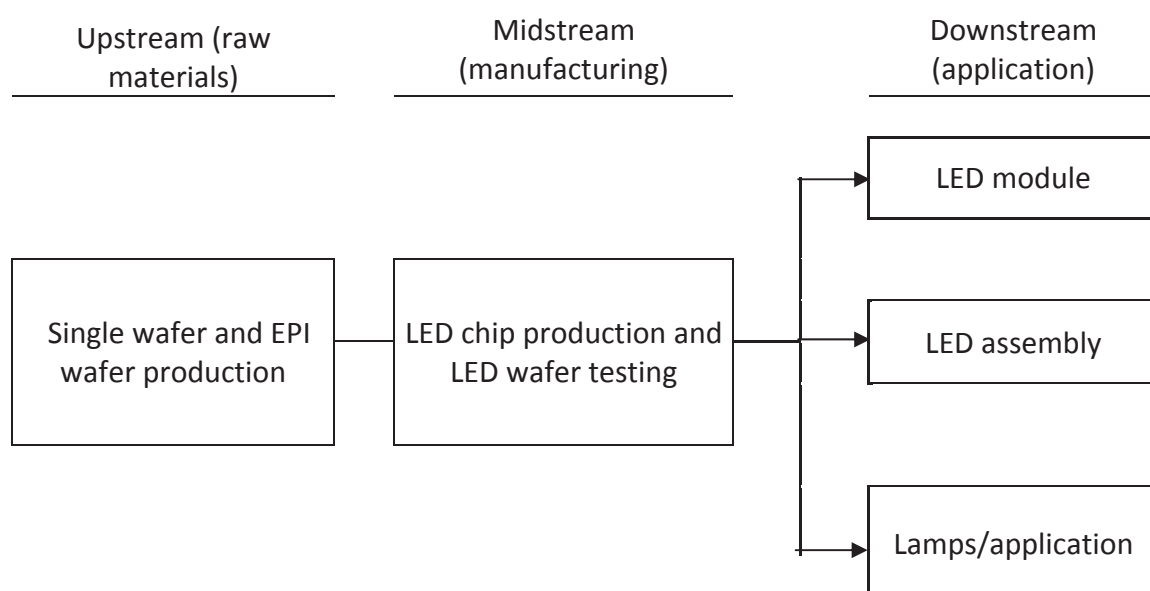
Figure 1. Production Value and Yearly Growth Estimates of the Global LED Market 2019-2023  
(unit: USD millions)

vaccines became available in the first half of 2021, the long-suppressed demand will surface eventually, increasing production value of the global LED industry by 8.1% year-on-year to US\$16.53 billion. See the following figure.



## (2) Association between upstream, midstream, and downstream industry participants

LED manufacturing can be generally divided into EPI wafer production in the upstream, LED chip production in the midstream, LED assembly and module in the downstream, and end-user application. The Company offers LED modules, assembly services, and Lamps and applications, which places it in the downstream of the industry chain. Association between upstream, midstream, and downstream participants is illustrated below:



Source: LED manufacturers database, Taiwan Institute of Economic Research (2019/12)

## (3) Product trends

Taiwan's LED components industry has flourished owing to the extensive investments made by industry participants. Today, Taiwan leads the world in LED



technology and production scale. However, the spread of COVID-19 in 2020 severely impacted the global economy, and as the pandemic subsided in 2021, the relaxation of restrictive measures, too, had significant effect on industry development. Future trends of LED products are explained below:

❖ LED market share continues to increase

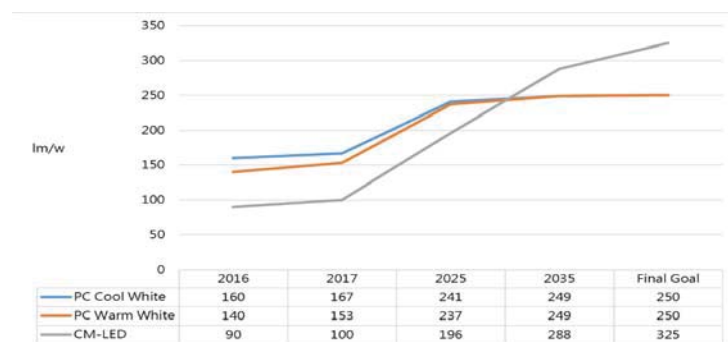
#### A. Rising market share of LED lighting

The introduction of LED as a lighting solution has significantly increased the price-to-performance ratio of energy-efficient lighting products over a short period of time. They play a major role in the energy conservation and environmental protection movements of governments around the world, and are regarded as viable alternatives over old, energy-intensive lighting solutions such as incandescent and halogen bulbs. As lighting efficiency and environmental protection policies tighten around the world, growth of LED lights should continue to rise at a compound annual growth rate (CAGR) of about 15.5% between 2018 and 2022. Meanwhile, conventional lighting products are estimated to decline at a (CAGR) of -13.7% between 2018 and 2022. Overall, LED lighting solutions continue to offer better value and surpass conventional lighting solutions in lighting efficiency as industry participants commit greater resources into development. Combined with policy support for energy-efficient lighting by countries around the world, LED is estimated to achieve market penetration of more than 80% by 2024.

#### B. Low cost and high efficiency of LED puts a ceiling on lighting technologies

Today, the lighting efficiency of LED has far surpassed all other light sources, and continues to improve with time. According to the technological roadmap published by the U.S. Department of Energy below, lighting efficiency of cool whites may reach 240 lm/W in 2025. Meanwhile, as prices of LED components fall and manufacturers invest additional resources into development, many indoor LED lighting products are now priced more competitively than conventional lighting products.

In summary, LED lighting far surpasses other lighting products in terms of price-to-performance ratio, and is being regarded as the ceiling of high efficiency lighting technology. Other light sources such as OLED and laser will have to overcome the current efficiency and price barriers in order to compete with LED, and new products will have to offer better efficiency at similar pricing to have a chance of being accepted by the market. For these reasons, LED's should secure its dominance as the mainstream light source in the next 5 years.



Source: U.S. Department of Energy (2020)

### C. Increasing application of UV-LED

Growth of the LED industry has so far been centered around white LEDs and applications simply because of the immense demand and growth opportunities. However, given the excess supply and low technological barrier of entry, there is virtually no meaningful margin on the production of pure blue and white LEDs. In the future, manufacturers will shift focus toward special lighting applications to take advantage of a more expansive supply chain and broader revenue base while avoiding competitive pressure from mass production. For this reason, ultraviolet LEDs (UV-LEDs) will see broader applications and increasing demands in the future; in fact, LED manufacturers with system integration capabilities are already getting into action.

Considering how UV-LEDs, which emit light at wavelengths of 350-380nm, are too costly to convert into white or blue color through phosphor mixing, only a handful of LED manufacturers had pioneer the development before applications became viable. Today, rising environmental protection awareness combined with substantial drop in the price of UV-LEDs and new designs such as heat dissipation, equipment function, and lenses have opened up opportunities for UV-LEDs in medical use. The UV-LED factory jointly established by Japanese company Nikkiso and Taiwanese company Formosa Plastics in Taiwan, for example, is intended to produce components for water purification plants, factory clean rooms, and household water purifiers.

### D. Evolution of micro LED technology

Apple acquired LuxVue Technology in May 2014 with the intent of adopting new display light source for all its products. This made micro LED a worthy contender to OLED as the next generation display technology. In June 2016, Sony exhibited the prototype of an ultra-large micro LED TV that signified the commercialization of micro LED technology.

From a technological standpoint, micro LED involves assembling micrometer RGB LEDs into one light-emitting component, and arranging multiple light-emitting components into one display area at very high density. With regards to EPI wafer production, all blue and green LEDs are currently made from sapphire or GaN substrates, meaning that EPI wafers for both types of LED can be manufactured on the same production line. However, red LEDs can only be made from GaAs substrate, and manufacturers can not simply apply different procedures on an existing production line to produce red LEDs. This limitation prevents red, green, and blue micro LEDs from being made in the same EPI wafer production line, and the main technical challenge now lies in moving these microscopic LEDs in batches and on large scale onto the assembly line for mass production.

The small size of micro LEDs also presents difficulties in the assembly stage, as display devices would require an enormous number of LEDs, and a slight decrease in LED yields would have significant impact on the quality of

image displayed. The best solution to this problem is to first assemble micro (RGB) LEDs into smaller sub-panels, and then assemble sub-panels into a full display, so that if a small number of micro LEDs fail on a later date, manufacturers can simply swap out the defective sub-panel.

In summary, while micro LED has the potential to succeed as the next-generation display technology, the production procedures still have many difficulties to overcome. Successful commercialization of micro LED technology will depend largely on the integration of late-stage production procedures and the stability of wafer suppliers in both quality and quantity. For these reasons, LED manufacturers will work more closely with downstream partners or even resolve to merger and acquisition to achieve vertical integration.

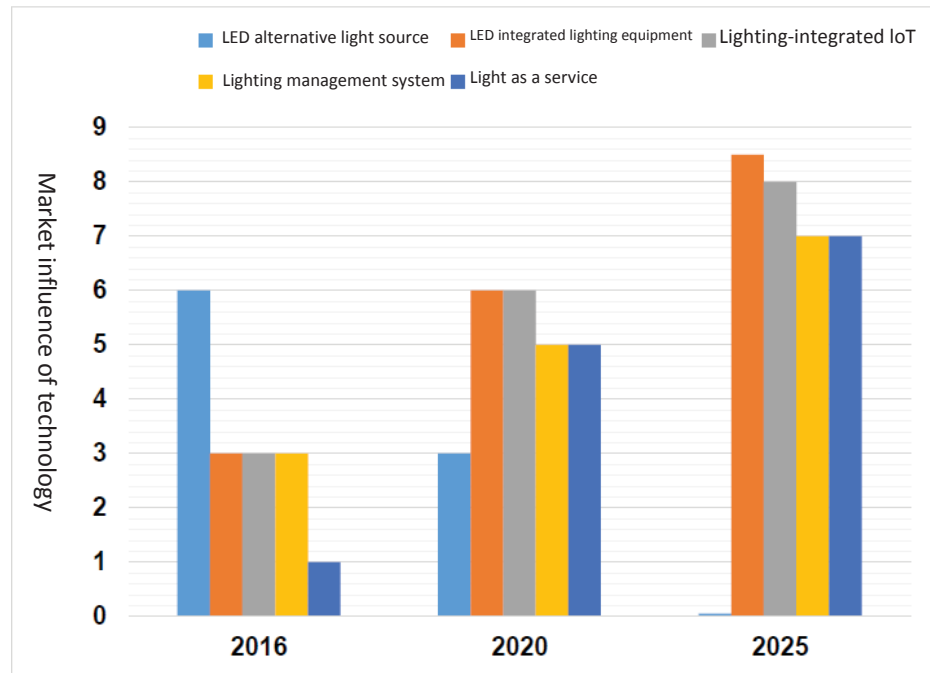
#### ② Stabilized industry structure

The second revolution of the lighting industry following the introduction of LEDs presented enormous opportunities to such a degree that attracted waves and waves of new comers. In recent years, LED light manufacturers from Asia have emerged as key players due to their cost advantage, and stirred up competition in what used to be an inert industry. Even century-old lighting brands such as Philips, Osram, and GE are forced to adjust strategies by divesting and selling parts of their business. Furthermore, due to the high degree of localization, manufacturers in the lighting industry are widely dispersed and every country has its own leader. As big players leave the market, new comers join in to fill the void. This is why diversity in the lighting market has intensified in the last few years, causing a substantial decrease in market concentration. This industry restructuring will come to an end once the large players cease to divest and sell their businesses.

#### ③ Increasing market influence from AI technologies

##### A. AI growing in significance

LED lighting has continually improved in efficiency and decreased in pricing in recent years to create a technological ceiling that make it difficult to compete for new lighting technologies such as OLED. Low price and high efficiency of LED lighting also mean that the industry offers little margin in return. Given the ongoing price competition and uprise of smart city and IoT applications, the lighting industry will compete on integrated LED lighting equipment, IoT lighting, lighting management system, and light as a service (LaaS) for the next growth phase. As AI becomes a part of lighting new features such as smart technology, sensor, communication module, interoperability/compatibility, safety technology, integrated technology etc. will receive greater attention in the future, as illustrated in the following figure.



Source: Industrial Technology Research Institute, IEK Consulting (2019/3)

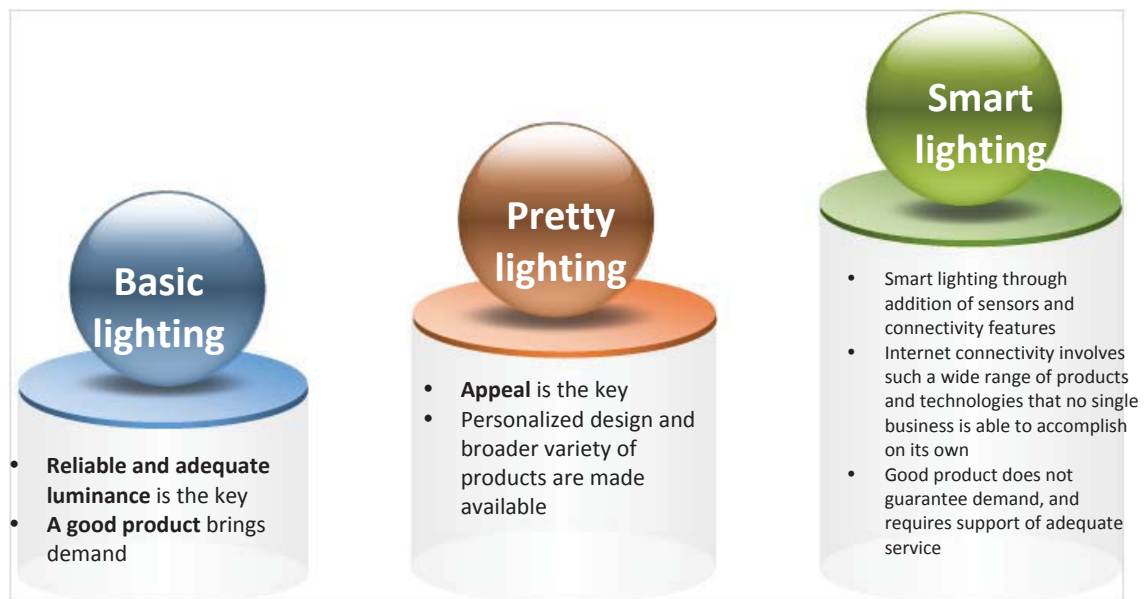
#### B. Increasing technological barrier

IoT and smart city projects will invite more innovative suppliers to develop lighting equipment into connection hubs that transmit data and make cities/building smart. To realize this vision, manufacturers will have to find ways of integrating smart technologies into lighting products and bring "intelligence" into lighting. Considering how demand for lighting system varies between residential, commercial, and industrial applications, it is crucial for suppliers to explore customers' needs and satisfy them with lighting control systems that offer favorable price-to-performance ratio and stability. Smart lighting technology is more than just manufacturing and selling lighting equipment, but also involves integration of computing technology, wireless communication, automated control, and database. These integrations make products more difficult to develop by any single manufacturer, and would require strategic alliance or business partnership to succeed. Today, dominant manufacturers of lighting and light control solutions such as Osram, Lutron, and Legrand have made noticeable progress in terms of business acquisition or strategic alliance, which raised capital barrier of entry and made the technology too sophisticated to be single-handedly mastered by any single manufacturer. The industry has changed so much that it is no longer appropriate to classify LED as a conventional "hardware" industry. Instead, it should be recognized as an important part of smart city, for it integrates communication, sensor, computing, and cloud technologies. The prospect of smart lighting has attracted not only lighting manufacturers, but also manufacturers from non-lighting industries, as they, too, try to expand application of their products and score an early win in the race. This conflict has prompted participants to form collaborative yet competitive business relationships within the smart lighting industry.

#### ④Uprise of new business models

##### A. Transition toward lighting system service

Smart lighting technology presents a new blue ocean for reputable lighting manufacturers in the world. Driven by mankind's pursuit for convenience and comfort, lighting designs in the future will be custom-tailored to personal needs, and in order to achieve personalized design, lights will have to be combined with sensors to form smart systems, thereby allowing consumers to control and adjust according to preference. This level of customization means that light can no longer be presented in only one color as it used to, but diversified to accommodate system integrations and lighting designs. They may even incorporate AI technology in the future to further



satisfy human needs. Faced with the uprise of smart lighting, large manufacturers are changing their business models progressively and taking the initiative to transform into lighting system providers. In other words, they are transitioning from selling lighting equipment to selling "light," as illustrated in the figure below.

Source: Industrial Technology Research Institute, IEK Consulting (2019/3)

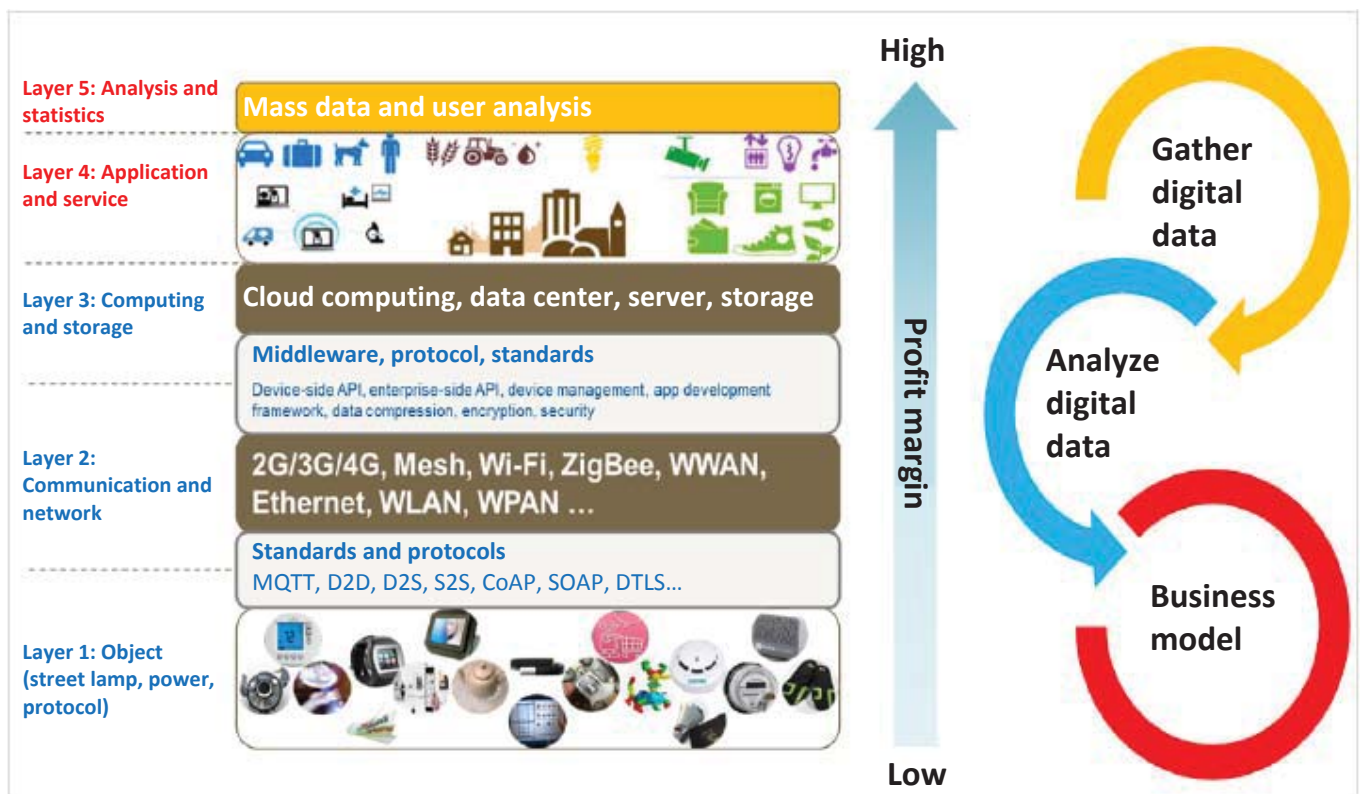
To provide the above products and services, Signify (formerly Philips Lighting) has made aggressive changes to its existing business model and transformed into a lighting system provider. For instance, the urban street lamp system and asset management service called City Touch launched in 2016 was one of its major offerings as a lighting system provider. In March 2018, Signify launched a new IoT platform called "Interact" that processes data gathered through connected lighting devices, sensors, transmission equipment, and systems, and uploads data onto Signify Lighting Cloud where administrators may access, analyze, and make use of to create value and exercise better energy control. U.S. lighting manufacturer, Acuity Brands, also mentioned the arrival of artificial intelligence and IoT as part of its future roadmap, and in addition to refining its current lighting technology, Acuity Brands has committed additional resources into developing visible light communication and accurate indoor positioning, and devised a series of

strategies to transition from supplying standalone products to providing integrated solutions, systems, platforms, and services.

## B. Development of new business model

Promising as smart lighting may be, the concept is relatively new to the lighting market and solutions are still under development, not to mention the issues concerning consumers' awareness and user habits. So far, smart lighting is seen primarily in government projects (such as smart street lamp) or government-initiated demonstrations, and is therefore financed mainly by way of Private Finance Initiative (PFI). While PFI is a common model for public infrastructures in the past, it is not an innovative model developed specifically for smart lighting. There are also some conglomerates that develop smart lighting projects in collaboration with local governments using a leasing model (where long-term contracts are signed with local governments to lease out street lamp operations), but neither of the above methods devote much attention to data applications and opportunities given rise by AI or IoT technologies.

From the figure below, it can be seen that innovative business models and new opportunities associated with smart lighting are still under development, and that system operation and data analysis are where the most values can be derived. It is evident that future business models for smart lighting will focus on creating values from the massive volume of data gathered over a long period of time to the benefit of consumers and manufacturers/operators.



Source: Industrial Technology Research Institute, IEK Consulting (2019/3)



#### (4) Product competition

##### ① Changes in market supply and demand

Research, development, manufacturing, and sale of LED lighting components make up the group's primary business activities, whereas datalinks are the secondary business activities. The Company and subsidiaries are positioned at the end of the industry chain, which means that any change in domestic or overseas demands for downstream application would affect competitiveness of the group's products. Current supply and demand are explained below:

##### A. Supply

###### (A) Global market

In the past few years, Mainland China has been able to emerge as the country with the largest production capacity of LED components due to the use of government subsidies. Its industry structure is similar to that of Taiwan, adopting a specialization approach (where the upstream produces EPI wafers and the downstream performs assembly). For this reason, the uprise of Mainland manufacturers has had direct impact on Taiwanese counterparts and decreased Taiwan's production value in the last few years. Considering how Chinese manufacturer San'an Optoelectronics has been expanding production capacity in Ezhou, Hubei, since the second half of 2019, excess supply will inevitably worsen once the new capacity is in full production, making it more difficult for Taiwanese manufacturers to compete. For this reason, Taiwanese manufacturers should explore niche markets that offer sustainable margins instead of competing Chinese counterparts head-on.

###### (B) Domestic market

The immense opportunities presented by LEDs have attracted investors from both within and outside the lighting industry. Not only are LED assembly plants eager to introduce new variants of LED bulb and LED street lamp, LED chip manufacturers, too, have invested into the development of LED lighting solutions. There is without a doubt that domestic LED chip manufacturers and LED assembly plants are optimistic toward the prospects of LED lighting, and have invested extensively into end-user applications. LED lighting presents such immense opportunities that it attracts not only upstream peers, but also manufacturers from different industries such as optics, power supply, and heat dissipation modules. The keys to overcoming competition in the future will depend largely upon manufacturer's technological capacity, distribution, product quality, and service reliability.

##### B. Demand

###### (A) Global market

As LED surpasses incandescent bulb, halogen bulb, and even fluorescent lamp in lighting efficiency, LED lighting applications have enjoyed a period of rapid growth, particularly when the public became more aware toward environmental protection and energy conservation issues and governments became more active in banning inefficient light sources and rewarding high efficiency light sources. According to the reports by IHS and IEK, demand for LED lighting was estimated at US\$40 billion worldwide in 2015, and had grown to US\$92.3 billion in 2019 with a penetration rate of 58.6%. The progressive phase-out of inefficient light sources by governments around the world not only created demand for LED lighting, but also educated consumers on the importance of saving energy on lighting and using high efficiency lighting equipment.

The life of a LED lamp may reach 50,000 hours; compared to incandescent bulbs (1,000 hours) and fluorescent lamps (10,000 hours), LED greatly reduces replacement cost and provides strong incentives for people to switch from ordinary light bulbs to LED lights. Many public and private environments that could not stay lit all day long due to financial concerns can now use LED lights to provide additional security. In comparison, compact fluorescent lamps (CFL) still offer inferior light quality and take longer time to start than incandescent bulbs while being unable to adjust light output; whereas LED offers more energy-saving benefits compared to CFL and is able to deliver the required level of light quality. As more LED manufacturers begin mass production, prices will fall and make LED lighting equipment more accessible to the public, which in turn supports the growth of the lighting market. The potential to replace conventional light sources has made lighting the biggest market for LED applications.

Global markets of portable devices and TVs have saturated and are unlikely to exhibit significant growth in the future, thereby limiting demand for LED backlight. Lighting applications, on the other hand, is characterized by intensive price competition, and the difficulty of maintaining product unit price makes it difficult to profit. Backlight and lighting are currently the two largest applications of LED in Taiwan with an aggregate weight of approximately 60%. It is therefore imperative for manufacturers to explore new applications such as micro LED to diversify risks and increase product value.

#### (B) Domestic market

LED applications have broadened continually in recent years due to improvements in LED production technology and reduced pricing that made LED a viable alternative to existing solutions. From cellphone buttons, smartphone panel backlight, laptop backlight, automotive lighting, street lamp to indoor lighting, Taiwan's LED industry has grown persistently with every turn of event. Meanwhile, increased public spending from the government has made LED a highlight in infrastructure



projects such as street lamp, urban landscape, and indoor/outdoor lighting of public buildings. Many infrastructure projects choose to incorporate LED street lamps mainly because the price has reduced significantly with improved performance, thereby shortening the payback period of investment. Furthermore, being an outdoor installation, it is easier for people to appreciate for themselves the performance of LED street lamps. Given that LED street lamp is a relatively mature technology, demand for LED street lamps and LED-based landscape lighting, signage, and traffic signals have increased as a result.

## ② Product competition

### A. LED lighting components and modules

Currently, world's major manufacturers of high power LED include Nichia, Osram, Matsushita, Lumileds, Toyota Gosei, Stanley, Toshiba, and Citizen. In terms of market competitiveness and positioning, Nichia, Toyota Gosei, and Cree currently take the lead in high-end technologies such as blue light and white light; whereas European and American companies Lumileds and Osram are well-established in vertical integration. Considering the versatility of LEDs to be used in lighting, signage, and automotive applications, being able to secure market trends, distribution channels, and raw materials is critical to future success.

LED is currently the world's best energy-saving lighting solution. Offering lighting efficiency of 80-100 lm/W (compare to 15-25 lm/W for incandescent bulbs), LED bulbs have the potential to replace conventional light sources. Lighting efficiency alone provides LED lights the reason to popularize, and as production cost and selling price reduce, they are making way into the average household. LED lights should continue to maintain dominant competitive advantage in the foreseeable future, and may even achieve higher degree of popularity among average households.

The domestic LED industry has many assembly plants operating in the downstream, but most of which are involved in low power or conventional LED assembly and matured applications such as smartphone backlight, signage, and traffic signals. The Company, on the other hand, prioritizes on the assembly of high power LEDs (with operating current greater than 350mA) that are designed specifically for lighting. Driven by the LDMS (Lighting Design Manufacturing Service) concept, the Company provides a TEMO (Thermal Management, Electrical Driving Conditions, Mechanical Refinement and Optical Optimization) platform that helps customers develop all sorts of lighting equipment using LED light source, and contributes to the expansion of LED lighting applications. High power LEDs manufactured by the Company and subsidiaries are mainly used for lighting in applications such as: stage lighting, commercial lighting, building/landscape lighting, street lamp, decorative lighting, automotive lighting, general indoor lighting, and special applications including curing light, horticulture lamp, medical light, and surgical light.

The Company and subsidiaries are currently capable of manufacturing high power LEDs at 120-150 lumen per watt or above, demonstrating a level of technological capacity equivalent to world-renowned manufacturers. Being able to ship products at economy of scale means that LEDs are produced at lower cost to offer greater price-to-performance. In terms of product development and application, the Company has been successful at convincing customers to incorporate high power LED into their designs, and has developed strong brand awareness to support the competitiveness of its products. Application of high luminance LEDs in exterior vehicle lights will increase in weight and scope, which can already be observed in new cars where LED headlamps and tail lights are designed as part of the vehicle body. It is reasonable to expect LED lighting modules become standard equipment on vehicles.

#### B. Automotive LED lighting modules

Having earned the trust of headlamp manufacturers in North America, the group was able to receive ODM and OEM orders for multiple car models, and continues to grow its customer base. Due to safety concerns, automobile manufacturers require genuine LED lighting modules to pass rigorous design and safety tests, and it takes as long as 1-2 years to design, develop, and certify a module. First-time dealing with Tier I manufacturer may take 2-3 years or longer just to review, certify, and deliver samples. However, it is because of the time-consuming and costly nature that deters competitors in the short term, and the rigorous automotive lighting standards imposed by Tier I manufacturers are not something that can be met by manufacturers of general consumer LED lights.

For Tier I manufacturers, discontinuing relationship with an existing supplier in favor of parts from an alternative supplier incurs additional time and cost to certify, not to mention that it is difficult to assess how the change of parts will affect lighting performance. Out of conservatism and concerns for cost and risk, it is unlikely for Tier I manufacturers to change part suppliers.

Sensor element Sensor element transmit information using light and optic fiber. As technologies evolve, light has become an important medium for transmitting data. Rapid growth in multimedia applications in recent years has raised consumers' demand for high-quality data audiovisual experience, and using light to transmit audio yields better quality, which satisfies consumers' needs.

As bandwidth increases, sensor element are made smaller and used in high-end products that require higher bandwidths. Currently, plastic optic fiber modules are widely used as transmission interfaces for audio data on sound systems, Mini Disc (MD) devices, DVD players, PS2 consoles, PC motherboards, and laptop computers. Optic fiber transmission modules/systems are commonly used on consumer products as transmission interface for high definition digital audio, and serve as one of the standardized interfaces on IT products such as PC motherboards and laptops.

Considering how the concept of digital home will grow popular in the next few years, there will be additional needs to transmit data between various types of digital appliance. However, the need to transmit data at higher speed (bit rate) over longer distance makes conventional copper cables inadequate, whereas glass optic fibers are too expensive to be adopted in digital homes. This leaves a gap that can be filled in by plastic optic fiber connectors, and the market may expect at least 20% growth in light transmission products per year until demand saturates. The Company's datalink solutions have been widely used on sound systems, DVD players, and NB and PC motherboards. The Company currently ranks first in Taiwan in terms of shipment, and has accumulated substantial competitive advantage through economies of scale and low cost.

(iii) Technology and R&D overview:

1. R&D expenses made in the last year up until the publication date of annual report

Unit: NTD thousands

Item	2020	2021	2022 Q1
Consolidated R&D expense	102,909	101,865	25,504
Consolidated operating revenues	1,901,238	2,105,864	474,325
Percentage of R&D expense	5.41%	4.84%	5.38%

2. Technologies or products successfully developed

The Company and subsidiaries have built up their existing production portfolio and developed their current competitive advantage after accumulating many years of technical know-how and making innovative designs and improvements according to customers' requirements. Aside from high power LED components, automotive applications such as headlamp and fog light modules will be the group's next big focus. Recent development outcomes, future projects, and estimated budgets are explained below:

Unit: NTD thousands

Year	Project ID	Development project	Additional amounts to be committed into project
2020	S310020002	Ultraviolet Component with High Disinfection Rate	5,500
	S310020011	Full Voltage LED Down Light	2,500
	RD4	Waterproof, seamless butt-type linear safety ultra-low voltage neon lights	3,000
	S310018004-1	Glass-encapsulated stage light components	4,500
2021	S310020002	Ultraviolet Module with High Disinfection Rate	5,500

	S310020011	Full Voltage LED Down Light	2,500
	S310018004	High CRI and High Optical Efficiency Stonehenge Module for Filming and Television Lighting	3,000
2022	S310018004	High CRI and High Optical Efficiency Stonehenge Module for Filming and Television Lighting	5,000
	S310020002	UVA Sterilizing Panel Light	3,000
	RD3	RFI immunity and Intelligent Control Dimming Street Light System	5,000

(iv) Long and short-term business plans

1. Short-term business plans

- (1) Continue new product development; explore technologies that increase luminance and evenness; and develop LED headlamp modules according to the needs of automobile manufacturers.
- (2) Continue optimization of production procedures; increase the level of automation and adopt digital management; and consolidate manpower for efficiency and product competitiveness.
- (3) Introduce new production procedures and measuring instruments; increase production capacity, improve product stability, and support new product development.
- (4) Develop application modules for LED products; provide usage and application instructions that facilitate adoption of LED products.
- (5) Adopt modular production procedures for customization opportunities; adopt flexible production procedures to accommodate the needs of different customers.
- (6) Develop LED controller IC and circuitry design capabilities for improved structure, heat dissipation, and integration.
- (7) Enhance business and operational management for reduced operating cost and improved competitiveness.
- (8) Continue adopting the LDMS (Lighting Design Manufacturing Service) approach to provide professional lighting design, manufacturing, and technical support; apply the T.E.M.O. platform and the concept of system integration to helping customers resolve problems in every stage of product development, and satisfy customers' needs.
- (9) Enhance corporate governance practices and raise visibility of the Company through marketing and participation in major exhibitions.

## 2. Long-term business plans

The Company and subsidiaries are dedicated to developing energy-efficient, environment-friendly, and high luminance LEDs, and providing customers with the most speedy services and best quality products that meet their needs. In light of future standards on energy-efficient lighting, the group will aim to develop LEDs of high luminance and high CRI that meet energy-saving requirements, and contribute to the competitiveness of Taiwan's LED industry.

With regards to production procedures, the Company will form stronger long-term relationship with upstream and downstream partners of Taiwan's LED industry as well as equipment suppliers to further reduce production cost, increase profitability, raise competitiveness, and improve market share.

Backed by technological advantage and inspired by the mission to support Taiwan's industries, the Company and subsidiaries will continue nurturing talents within the LED industry while at the same time develop a broader range of low-cost, high lighting efficiency products to satisfy customers' needs. By making LEDs popular, the Company fulfills its corporate social responsibilities and sustainability goals.

## ii. Market, production, and sales overview

### (i) Market analysis

#### 1. Locations where products are mainly sold

Unit: NTD thousands

Location		2020		2021		2022Q1	
		Sales amount	Percentage (%)	Sales amount	Percentage (%)	Sales amount	Percentage (%)
Domestic sale		99,593	5.24	182,293	8.66	33,164	6.99
Export sale	America & Europe	591,347	31.10	804,207	38.19	167,397	35.29
	China	714,930	37.60	796,012	37.80	158,173	33.35
	Africa	172,190	9.06	31,533	1.50	5,150	1.09
	Others	323,178	17.00	291,819	13.85	110,441	23.28
Total		1,901,238	100.00	2,105,864	100.00	474,325	100.00

#### 2. Market share of main products

Main products sold by Edison Opto include LED lighting components/modules/products, automotive LED lighting modules, sensor element, and electronic parts. The Company and subsidiaries are positioned in the midstream and downstream of the LED industry (i.e. assembly), which is why LED lighting components, modules, and products account for the largest revenues, at about 60% in 2021. Due to the vast diversity of products sold, the Company was unable to obtain sufficient amount of direct and objective data to support calculation of product market share. Based on IEK's statistics on the production value of LEDs in Taiwan, the Company accounts for approximately 1.5-2.0% of LED assembly value in Taiwan. Faced with intensifying competition from around the world, the Company will continue to respond by focusing on innovative R&D, marketing products under the proprietary brand, and introducing products of exceptional quality and innovative features ahead of competitors to capture a higher market share.

### 3. Future market supply, demand and growth

#### (1) Demand for LED lighting

##### A. Future demand of the global market

In the past few years, Mainland China has been able to emerge as the country with the largest production capacity of LED components due to the use of government subsidies. Its industry structure is similar to that of Taiwan, adopting a specialization approach (where the upstream produces EPI wafers and the downstream performs assembly). For this reason, the uprise of Mainland manufacturers has had direct impact on Taiwanese counterparts and decreased Taiwan's production value in the last few years. Considering how Chinese manufacturer San'an Optoelectronics has been expanding production capacity in Ezhou, Hubei, since the second half of 2019, excess supply will inevitably worsen once the new capacity is in full production, making it more difficult for Taiwanese manufacturers to compete. For this reason, Taiwanese manufacturers should explore niche markets that offer sustainable margins instead of competing Chinese counterparts head-on.

##### B. Future demand of the domestic market

As LED surpasses incandescent bulb, halogen bulb, and even fluorescent lamp in lighting efficiency, LED lighting applications have enjoyed a period of rapid growth, particularly when the public became more aware toward environmental protection and energy conservation issues and governments became more active in banning inefficient light sources and rewarding high efficiency light sources. According to the reports by IHS and IEK, demand for LED lighting was estimated at US\$40 billion worldwide in 2015, and had grown to US\$92.3 billion in 2019 with a penetration rate of 58.6%. The progressive phase-out of inefficient light sources by governments around the world not only created demand for LED lighting, but also educated consumers on the importance of saving energy on lighting and using high efficiency lighting equipment. The life of a LED lamp may reach 50,000 hours; compared to incandescent bulbs (1,000 hours) and fluorescent lamps (10,000 hours), LED greatly reduces replacement cost and provides strong incentives for people to switch from ordinary light bulbs to LED lights. Many public and private environments that could not stay lit all day long due to financial concerns can now use LED lights to provide additional security. In comparison, compact fluorescent lamps (CFL) still offer inferior light quality and take longer time to start than incandescent bulbs while being unable to adjust light output; whereas LED offers more energy-saving benefits compared to CFL and is able to deliver the required level of light quality. As more LED manufacturers begin mass production, prices will fall and make LED lighting equipment more accessible to the public, which in turn supports the growth of the lighting market. The potential to replace conventional light sources has made lighting the biggest market for LED applications.

Global markets of portable devices and TVs have saturated and are unlikely to exhibit significant growth in the future, thereby limiting demand for LED backlight. Lighting applications, on the other hand, is characterized by intensive price competition, and the difficulty of maintaining product unit price makes it difficult to profit. Backlight and lighting are currently the two largest applications of LED in Taiwan with an aggregate weight of approximately 60%. It is therefore imperative

for manufacturers to explore new applications such as micro LED to diversify risks and increase product value.

## (2) Supply of LED lighting

### A. Future supply of the global market

As LED surpasses incandescent bulb, halogen bulb, and even fluorescent lamp in lighting efficiency, LED lighting applications have enjoyed a period of rapid growth, particularly when the public became more aware toward environmental protection and energy conservation issues and governments became more active in banning inefficient light sources and rewarding high efficiency light sources. According to the reports by IHS and IEK, demand for LED lighting was estimated at US\$40 billion worldwide in 2015, and had grown to US\$92.3 billion in 2019 with a penetration rate of 58.6%. The progressive phase-out of inefficient light sources by governments around the world not only created demand for LED lighting, but also educated consumers on the importance of saving energy on lighting and using high efficiency lighting equipment.

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LED applications have broadened continually in recent years due to improvements in LED production technology and reduced pricing that made LED a viable alternative to existing solutions. From cellphone buttons, smartphone panel backlight, laptop backlight, automotive lighting, street lamp to indoor lighting, Taiwan's LED industry has grown persistently with every turn of event. Meanwhile, increased public spending from the government has made LED a highlight in infrastructure projects such as street lamp, urban landscape, and indoor/outdoor lighting of public buildings. Many infrastructure projects choose to incorporate LED street lamps mainly because the price has reduced significantly with improved performance, thereby shortening the payback period of investment. Furthermore, being an outdoor installation, it is easier for people to appreciate for themselves the performance of LED street lamps. Given that LED street lamp is a relatively mature technology, demand for LED street lamps and LED-based landscape lighting, signage, and traffic signals have increased as a result.

## 4. Competitive advantage

### (1) Strong management team and proprietary technology

The Company and subsidiaries specialize in the research and development of LED lighting for general purpose as well as automotive use. The management team averages more than 10 years of experience in the LED industry, and has extensive knowledge on industry changes, product trends, production procedures, and marketing to help raise overall competitiveness and ensure sustainability of business operations.

Optics, structural design, heat dissipation, and circuitry are some of the technologies involved in the development of LED products. Through LDMS, the Company and subsidiaries are able to provide professional lighting design, manufacturing, and technical support services to help customers resolve problems in every stage of product development. Using the T.E.M.O. platform, the group is able to apply the concept of system integration and help address customers' most critical concerns in LED lighting application (namely heat, electricity, structure, and optics),



and thereby helping customers design new generation of semiconductor lighting products in the shortest time possible. The group already leads domestic peers in the research and development of high power LEDs and PLCC components, and has been expanding its involvement to automotive LED lighting in recent years to great results.

All of the group's technologies and products have been self-developed by a research team that possesses multiple years of practical experience in LED. From components to modules, the group has acquired multiple patents to protect the products developed. The Company and subsidiaries were the first in the industry to establish a LM-80 laboratory, which has been certified by UL for safety and energy efficiency. This laboratory allows products to be validated quickly for fast introduction to the international market. Most product lines today have passed certification and the scope of which is increasing continuously. The Company and subsidiaries have also introduced MES (manufacturing execution system) in recent years to optimize production procedures and strengthen the group's competitive advantage in LED lighting. The extensive experiences accumulated over time have enabled the Company and subsidiaries to develop unrivaled competitive advantage in the research, development, and innovation of high power LED components/modules and PLCC components.

## (2)Diverse and complete product line

Main product lines of the Company and subsidiaries include: high power LED and PLCC components/modules, which can be used in a broad variety of lighting equipment such as portable lighting, building lighting, commercial lighting, entertainment lighting, street lamp, and indoor lighting; and datalinks, which can be used as transmission interface for digital audio signals in devices such as sound system, DVD player, PS2 console, and laptop computer. This broad diversity of product applications makes the Company less susceptible to the cyclicity of any single industry, which supports long-term stability. In terms of high power LEDs, the Company offers high power components ranging from 1W to 150W, and makes modules and products with thoroughly designed exterior based on these components. In addition to being the assembly plant with the most comprehensive lineup of high power and PLCC components, the Company also invests aggressively into automotive LED modules and products for greater competitiveness as well as the ability to satisfy customers' needs in any application.

## (3)International marketing channels and sound customer relation

The Company and subsidiaries sell products to the domestic and overseas markets under the proprietary brand - "Edison." Having recognized the importance of globalization and the vastness and diversity of LED applications, the group actively explores global markets through distributors located in Europe and Asia, and offers professional services to help customers resolve issues concerning design and application in the shortest time possible. After many years of hard work, the group now has more than 70 sales locations worldwide and supplies LED components to reputable lighting brands on the foundation of strong business relationship. A complete marketing and after-sale service network have also been established to maintain reputation of the Edison brand.

In addition to providing customers with high-quality products at low cost, the Company and subsidiaries also offer professional planning on product and technical



aspects as a value-adding service through a proprietary program called LDMS. From quality, yield, delivery to after-sale service, the group maintains positive, long-term relationship with customers in ways that shorten product development timeline and builds marketing channels that support mutual business growth.

#### (4) Economy of scale and high production efficiency

The Company and subsidiaries produce different lighting products at 3 locations (4 companies), including Taipei Zhonghe Plant in Taiwan and Dongguan Plant and Yangzhou Plant in Mainland China (2 companies). Being able to produce at economies of scale and having strong production management capabilities are the keys to reducing production cost and increasing competitiveness. For many years, the Company has devoted attention to improving production procedures and production line management, while shifting low-margin, standardized, and mass production activities to overseas locations where local resources can be used for maximum yield. By applying stringent production management in overseas plants, the group is able to mass-produce at economies of scale to maintain profit margin and compete for higher market share.

#### (5) Creation of LDMS platform

The Company and subsidiaries specialize in the development and design of LED lighting components, assembly processes, modules, products, and applications. High power LEDs achieve far higher luminance than conventional LEDs, and therefore require very different designs in terms of heat dissipation, circuitry, structure, and optics. Inspired by customers' needs and the concept of system integration, the Company and subsidiaries jointly introduced a new service called LDMS that emphasizes on bilateral communication with customers as a means to help them resolve technical issues that may arise during product development.

### 5. Future opportunities, threats, and response strategies

#### (1) Opportunities

##### A. LED lighting and applications continue to expand, which present growth potentials for the Company

LED bulbs offer several advantages including energy efficiency, environment friendliness, and longer lifespan. Not only do they require one-tenth of the power to generate the same luminance compared to incandescent bulbs, the light source contains no hazardous substance such as mercury and lead, and has been widely recognized as a "green lighting solution." Furthermore, the potential to increase luminance continuously in the future has made LED the best replacement for incandescent bulbs in countries around the world. Australia, Canada, UK, Japan, and EU countries are progressively phasing out sale of incandescent bulbs. In Taiwan, the government has introduced LED subsidies for street lamps and certain constructions that will prove beneficial to the LED lighting industry. LED can also be used in a broad range of applications from displays, automobiles, laser treatment, retina scan to indoor/outdoor lighting, and is gradually replacing fluorescent lamp and other indoor lights as the preferred lighting solution due to price drops. As lighting efficiency and luminous flux improve, cost-per-lumen (lm) falls while issues concerning heat and structural integrity are resolved, thereby allowing LEDs to replace fluorescent lamps and tungsten bulbs at a faster rate

particularly in a period of rising energy expenses and environmental/energy awareness, and support growth of the LED industry.

#### B. Complete supply chain

LED manufacturing in Europe, America, and Japan is dominated by few global players; Taiwan, on the other hand, has many participants in the LED industry that operate with high degree of specialization and form a complete supply chain. There are drastic differences in the types of business models adopted. Taiwan's LED industry is characterized by high level of specialization between upstream, midstream, and downstream participants, which presents advantages in terms of agility and flexibility. The industry as a whole is considered self-dependent and self-sufficient, whereas individual participants exercise exceptional production management and make up a complete supply chain to rival European, American, Japanese, and Korean competitors in pricing. For downstream assembly plants, almost all raw materials such as LED chip, lead frame, frame, and resin can be sourced from domestic suppliers, and compared to international competitors, Taiwanese assembly plants have adequate control over product quality, delivery time, and cost, and therefore are able to minimize risk of supply disruption and logistics delay.

#### C. R&D capability and LDMS platform

The domestic LED industry has many assembly plants operating in the midstream and downstream, but most of which are involved in low power or conventional LED assembly and matured applications such as smartphone backlight and traffic signals. The Company and subsidiaries, on the other hand, prioritizes on the assembly of high power LEDs and PLCC components, and constantly explores new lighting applications to tap into the immense opportunities of LED lighting in the future. High power LEDs achieve far higher luminance than conventional LEDs, and therefore require very different designs in terms of heat dissipation, optics, structure, and circuitry. These differences provide clear distinction between Edison group and other domestic LED assemblers in the downstream. The Company and subsidiaries share many years of practical experience in research and development, and specialize in the development, design, and manufacturing of high power LEDs and semiconductor lighting modules, applications, and products. The Company's technology team has accumulated extensive experience and built up strong knowledge in high power LEDs through proprietary research, making it the earliest pioneer and the most technologically advanced manufacturer among domestic peers that rivals global competitors. Furthermore, in an attempt to help users minimize challenges over the course of development, Edison also introduces the industry's first "LDMS (Lighting Design Manufacturing Service)" that uses a modular system combined with the T.E.M.O (thermal, electrical, mechanical, and optical) platform to provide customers with professional customization, design, and manufacturing services. From heat dissipation, circuitry layout, structural planning to optical simulation, LDMS address the critical issues of lighting application all in one package. This gives Edison the ability to propose solutions on a per-product or per-application basis, and manufacture/develop new generation of lighting products with great efficiency while assuring customers with the best and highest quality alternative lighting solutions.

## (2) Threats and response measures

### A. Patent infringement risk

Patent has always been a major issue to the LED industry. Taiwan's LED development efforts began later than Japan, USA, and European nations, and considering the vast number of patents associated with LEDs, it is essential for businesses to acquire patents as a means to secure intellectual property rights. Patents also enable businesses to develop monopoly in the market, and serve as competitive advantage as competitors are forced to forgo use of critical technology and take more time to establish presence in the market. For this reason, patent infringement litigations are commonly used as a means to disrupt competitors, and as Edison group grows in size, it becomes more susceptible to patent infringement claim from global competitors.

#### Response strategies:

Edison Group cooperates with world-renowned business partners including: Samsung, Bridgelux, Epistar, San'an Optoelectronics, and Epileds and phosphor suppliers Mitsubishi and Intematix. It actively manages suppliers' IP to avoid risk of patent infringement. Dedicated personnel have been assigned within the group to plan and maintain LED-related patents throughout the world, and to acquire patents that support the group's key products. Besides general lighting, the Company also commits resources into developing patents on vehicle lighting, horticulture lighting, and infrared sensors. Edison Group currently has 190 patents including 40 invention patents that are mostly registered in Europe, USA, and Mainland China. By acquiring new technologies, the Company aims to avoid risk of patent infringement.

### B. Incoming competitors, price competition, and lower margins

1. Chinese manufacturers such as BMTC have been able to establish new plants and acquire advance equipment in recent years with local government subsidies, and emerged as prominent competitor in small size chips to existing manufacturers such as San'an, Changelight, and Focus Lightings in the upstream. These Chinese players produce entirely in-house from chip to assembly, and are vertically integrated at a very high degree that make it difficult for standalone assembly plants to compete, even in a market as large as India.
2. Bridgelux, a major player, has acquired such a comprehensive portfolio of patents from around the world that it approached Chinese manufacturers Forest Lighting and Zhongshun Semiconductor for OEM service in the last two years. This change of business model not only gives Bridgelux the absolute advantage in terms of pricing, its comprehensive patent coverage allows the organization to dominate in general lighting molds and equipment even in markets such as India and North America.
3. LED lighting application presents such a large opportunity that manufacturers have emerged all over the world. Not only are existing LED manufacturers setting up barriers of entry, global non-LED players, too, are eager for a share of the market and have established their own

semiconductor lighting subsidiaries. As far as the Company is concerned, increasing competitors in the market will ultimately result in price war.

Response strategies:

Most listed companies resolve to capital investment, joint venture, and business acquisition as ways to develop competitive advantage. Edison group, on the other hand, has been avoiding direct competition by targeting niche markets and special applications outside of basic portfolio and engaging large players in strategic collaboration in recent years. By relying on good market instinct, thorough planning, and unique sales channel, the group has been able to deliver favorable results in areas such as full-spectrum lighting, high luminance outdoor EMC, and horticulture lighting.

The Company and subsidiaries will continue developing new products and product lines to improve the diversity and completeness of the portfolio. Meanwhile, more efforts will be directed toward vertical technology integration and helping customers resolve the four most critical technical bottlenecks in LED lighting (namely thermal, electrical, mechanical, and optical). In order to provide added value to customers and avoid competing on price, the Company will continue exploring opportunities in components and products for special applications. Meanwhile, additional resources will be invested into new production technologies and procedure improvements to reduce production cost and widen technological advantage over competitors. For overseas markets, the Company and subsidiaries will aim to expand marketing channels and raise the quality of after-sale services for customer satisfaction as well as enhancements to corporate image and brand awareness.

(ii) Main product applications and production processes

1. Main product applications

LED products manufactured by the Company and subsidiaries are used for general lighting, automotive lighting, and datalink. The main uses are as follows:

Main products	Purpose
LED lighting components, modules, and products	Street lamp, horticulture lighting, biomedicine lighting, landscape lighting, stage lighting, commercial lighting, office lighting, household lighting, freezer lighting, emergency lighting, warning light, road lighting etc.
Automotive LED lighting modules	In-vehicle reading light, turn signal, fog light, brake light, tail light, and headlamp.
Sensor element	Sensor elements are used to send and receive audio signals in the form of LED-generated infrared light. Sensor element produced by the Company conform with the SPDIF standard, and are widely used in consumer multimedia products such as: DVD, MP3, CD, MD, TV, cellphone, PC, NB, and game console.

## 2. Production processes of main products

### (1) LED lighting components



### (2) LED lighting modules and products



### (3) Sensor element



### (iii) Supply of key materials

Main materials	Supply status
LED Chip	Good; quality is stable
PCB	Good; quality is stable
Phosphor	Good; quality is stable
Electronic parts	Good; quality is stable
Metal Hardware	Good; quality is stable

(iv) Customers accounting for 10 % or more of the company's total procurement (sales) volume in either of the 2 most recent fiscal years

1. Suppliers accounting for 10 % or more of the company's total procurement volume in either of the 2 most recent fiscal years

Unit: TWD 1,000

Item	2020				2021				2022 up until March 31			
	Supplier	Purchase Amount	As a % of Purchase	Relation with the Company	Supplier	Purchase Amount	As a % of Purchase	Relation with the Company	Supplier	Purchase Amount	As a % of Purchase in Q1 for the period	Relation with the Company
1	Other	1,245,204	100.00	None	Other	1,209,987	100.00	None	Other	275,305	100.00	None
	Total	1,245,204	100.00		Total	1,209,987	100.00		Total	275,305	100.00	

Explanation of the changes:

Important materials for our core products, covering LED lighting components/modules, datalinks, automotive LED lighting components, and special lighting, range from LED chips, lead frames, metal wire, fluorescent powder, PCB substrates, IC components, plastic injections, etc. As shipments of LED modules continue to grow, procurement percentages of finished parts and ICs have risen as well. For 2021, due to price cuts, impacts from COVID-19, and IC shortages brought about by global economic factors, sales in LED components declined and IC parts were tight. As a result, procurements from all suppliers went down during this period by as much as 10%.

Material procurements from suppliers changed according to our shipment mix over the past two years. To ensure stable sourcing, product quality, pricing, as well as risk diversification, the Company maintained its policy of 10% > procurement from each supplier, except one particular supplier. No other significant changes occurred during the period.

2. Customers accounting for 10 % or more of the company's total procurement volume in either of the 2 most recent fiscal years:(IV)  
Customers accounting for 10 % or more of the company's total procurement (sales) volume in either of the 2 most recent fiscal years:

(v) Unit: TWD 1,000

Item	2020				2021				2022 up until March 31			
	Supplier	Sales Amount	As a % of Sales	Relation with the Company	Supplier	Sales Amount	As a % of Sales	Relation with the Company	Supplier	Sales Amount	As a % of Sales in Q1 for the period	Relation with the Company
1	104304	284,017	14.94	None	104304	387,361	18.39	None	104304	70,936	14.96	None
2	Other	1,617,221	85.06	None	Other	1,617,221	81.61	None	Other	403,309	85.04	None
	Total	1,901,238	100.00		Total	2,105,864	100.00		Total	474,325	100.00	

Explanation of the changes:

The Company and its subsidiaries operate in LED lightening fields, as manufacturers of and agents for automotive LED modules and datalinks. The top-customer ranking changes according to product mix. During 2020 and 2021, in light of its continuing application expansion in the LED field, the Company increased its focus on LED modules with the end products and application developments and automotive LED lighting modules to diversify customer concentration risks.

With the continuous shipment growth for automotive LED lighting modules and rigid quality standards from the car-making industry, we anticipate relations with carmaker customers will become steady and long-term based. Owing to COVID-19, international carmakers shut down several months in 2020, and shipments to those customers were postponed. Although the total sales weighting dropped, compared with that in the previous year, the shipments to one particular customer still reached the 10% mark. Except for that customer, no customers occupied 10% or more of the Group's sales, in terms of amount. By the end of 2021, shipments started to pick up with the rebound of demand in the automotive marketsegment. However, owing to IC part shortages in 2021, our shipments couldn't climb significantly, which resulted in soft sales growth for the period, which still reached more than 10% growth in shipments over the year. Other than the carmaker customer mentioned above, no other single customer reached more than 10% of the sales value for the group.



(v) Production value in the 2 most recent fiscal years

Unit: KPCS; TWD 1,000

Production Item	Year	2020			2021		
		Capacity	Production Unit	Production value	Capacity	Production Unit	Production value
Sensor element		144,000	118,227	200,170	144,000	110,163	193,053
LED lighting components		960,000	760,719	321,598	960,000	664,294	339,111
LED lighting modules and products		-	11,066	433,939	-	8,572	529,918
Automotive LED lighting modules		-	3,352	294,274	-	4,381	359,381
Other		-	5,389	47,442	-	2,977	35,181
Total		1,104,000	898,753	1,297,423	1,104,000	790,387	1,456,644

Thanks to the needs from various infrastructure projects worldwide and a trend toward automotive LED lightings, demands for LED products have inched up in recent years. Moreover, through global governmental efforts to eliminate incandescent-bulb products and growth in automotive applications, the LED industry has been further bolstered. To reduce impacts from excessive competition and rapid price drops, the Company and its subsidiaries will continue developments in LED module segments for lighting modules and automotive applications. We sold idle machinery and partially outsourced production to save production cost in 2020. Thus, the capacity for LED lighting modules was cut, compared with that in the previous years. Therefore, the production, in terms of quantity and value went down in 2021, compared with that in 2020. For automotive LED modules, owing to COVID-19, customer demands were deferred to 2021, which resulted in increase in production value for the year.

(vi) Sales value in the two most recent fiscal years

Unit: KPCS; TWD 1,000

Sales Item	Year	2020				2021			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Sensor element		0	0	119,769	224,546	0	0	107,993	220,021
LED lighting components		41,489	56,700	2,480,679	478,596	55,374	68,296	1,911,227	481,459
LED lighting modules and products		404	38,975	21,349	708,170	722	94,662	18,777	758,889



Sales Item	Year	2020				2021			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Automotive LED lighting modules		26	625	4,449	349,424	161	5,949	26,866	438,795
Other		27	3,293	970,585	40,909	1,081	12,437	673,190	25,356
Total		41,946	99,593	3,596,831	1,801,645	57,338	181,344	2,738,053	1,924,520

Prices for LED components rose in 2021, compared to those in 2020. As customers were still price-driven, our shipment volume of the components declined but sales value retained its upward trend under our strategy to lower exposure in low-price products. The Company has been committing to LED lighting module and automotive LED module segments. However, due to the COVID-19 pandemic, severely affecting the global economy in 2020, especially in America and Europe. The export sales for the product lines went down for that period. In 2021, the shipments to the regions above greatly recovered and posted significant growth. The Company plans to retain its focus on LED lighting modules and automotive LED module segments. Also, in addition to coping with adjustments to the supply chain, the Company will continue its in-depth penetration in the Chinese market to diversify risks.

### iii. Employees

Year		2020	2021	2022 up until March 31
Employee count	Direct employees	386	349	310
	Indirect employees	408	386	377
	Total	794	735	687
Average age		34.69	35.69	34.92
Average years of service		4.99	5.05	5.42
Academic background	Doctoral Degree	0.13%	0.00%	0.00%
	Master's Degree	4.16%	4.35%	4.37%
	Bachelor Degree	39.55%	40.68%	41.92%
	Senior high school	29.09%	27.76%	27.80%
	Below senior high school	27.07%	27.21%	25.91%

### iv. Contribution to environmental protection

(i) Any losses (including compensations) or fines incurred due to pollution in the last year up till the publication date of annual report. State any future response strategies (including improvement measures) and possible expenses (including possible losses due to absence of response strategy, estimated amount of penalties and compensations etc.; provide explanation if amounts can not be reasonably estimated):

1. The Company and subsidiaries have devoted significant efforts to wastewater treatment and waste reduction since incorporated. The following is a description of accomplishments to date:

#### (1) Wastewater treatment

Pollutive facility installation permit or pollutant discharge permit relating to water treatment:

Company	Permit number
Edison Opto (Zhonghe Plant)	Wastewater and pollution permit No.: Jing-Huan-03201-00 (Class B water treatment technician certificate Responsible person: 80-Huan-Shu-Shui-B-0354)
Yangzhou Edison	Wastewater discharge permit: 31321091793826207B001Y
Edison Opto (Dong Guan)	Registration No.: 91441900787972902A001W

#### (2) Industrial waste reduction

The Company and subsidiaries support the government's industrial waste reduction initiatives by sorting and recycling waste and implementing relevant management policies. Valuable resources are sold, whereas recyclable materials are reused or handed over to qualified waste disposal service providers, thereby reducing the amount of waste produced. Approved permits and reference number:

EPA control No.: H43A7657

EPA approval No.: 2019-Taoyuan City-Fei-A-Qing-0010

Company	Category	Permit number
Edison Opto (Zhonghe Plant) and Edison-Litek Opto	D-1801 waste from living activities	2018-New Taipei City-Huan-B-Qing-0153
	E-0218, E-0221 Stable solid waste	Clearance permit No.: 2019-Taoyuan City-Fei-A-Qing-0010 Treatment permit No.: 2019-Taichung City-Fei-Chu-011-11
	C-0301 Flammable industrial waste (liquid)	Clearance permit No.: 2019-Taoyuan City-Fei-A-Qing-0010 Reuse permit No.: Jing-Shou-Gong-10820403830
Yangzhou Edison	Hazardous chemicals	Changzhou Dawei Environmental Technology Co., Ltd.: disposal of chemicals, waste package, bottles, and wipe (Permit No.: JSCZ0412OOI043-4) Jiangsu KinViho Recycling Co., Ltd.: disposal of exhaust treatment facilities and activated carbon waste (Permit No.: JSYZ108400D031-4) Gaoyou Compro Environmental Resources Co., Ltd.: disposal of waste epoxy cleaner (Permit No.: JS1084OOI549-4)
Edison Opto (Dong Guan)	Hazardous chemicals	Treatment permit No.: 441900190212 (Hazardous chemicals special operation permit 91441900MA4UQ04NY8R)
Yangzhou Edison-Litek Opto	Waste solder paste Waste PCB	Taizhou Huiming Solid Waste Disposal Co., Ltd. (Permit No.: JS128100545-3) Taizhou Ruikang Renewable Resources Utilization Co., Ltd. (Permit No.: JSTZYYGX1271OOD0001-2)

2. Investment in pollution prevention equipment, the purpose of equipment, and possible benefits: None.

(ii) Describe the current state of pollution and how improvements may affect the Company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 2 years: None.

**v. Labor-management relations:**

(i) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements between employers and employees, and protection of employees' rights

1. Employee welfare

The Company and subsidiaries have established their own work rules and assembled employee welfare committees in accordance with the Labor Standards Act to promote labor-management relations, unite employees, and cater for employees' benefits. The committee is responsible for the planning and execution of welfare programs, as well as the planning and payment of annual employee benefits. The committee also arranges the following measures:

(1) Employee insurance:

Each employee is covered by Labor Insurance and National Health Insurance from the day onboard as required by laws. In addition, the Company offers a group omnibus

insurance package covering term life, accident, accident treatment, cancer treatment, and critical illness, and business travel insurance covering medical and emergency aid for employees on overseas business trips, with 100% subsidized premiums to provide employees with more comprehensive protection.

(2) Pension system:

The Company has implemented its own retirement policy in accordance with "Labor Standards Act" and "Labor Pension Act" to accommodate employees' life after retirement.

(3) Employee health checkup:

Permanent employees are entitled to annual health checkups and follow-ups. Physicians are invited to provide consultation and interpret reports one-to-one on-site the work premise.

(4) Occasion-based benefit:

includes birthday cash, Labor Day cash, Duanwu Festival cash, Mid-autumn Festival cash, new year cash, year-end banquet and lottery.

(5) Long service reward:

employees are given long service rewards upon accumulating 5 years, 10 years, or 15 years of service as a gratitude for their dedication.

(6) Allowances and subsidies:

employees are entitled to a comprehensive range of subsidies from wedding, funeral, child birth, hospitalization, on-job training to children's education.

(7) Work-life balance:

the Company values employees' family relations, and organizes activities that employees may engage with family members, such as domestic/overseas group trip, barbecue in forest, mountain cleanup hike, parental cycling, group exercise at sports center etc. These activities not only relieve employees' stress from work, but also promote stronger unity towards the Company.

## 2. Retirement system and implementation

The Company has implemented its own retirement policy in accordance with "Labor Standards Act" and "Labor Pension Act" to accommodate employees' life after retirement. A Labor Pension Fund Supervisory Committee has also been assembled to oversee management of pension fund, as well as execution of pension contributions and benefits. Pension benefit and standards:

(1) Employees who adopt pension rules of the Labor Standards Act shall have years of service compensated using the following standards: two basis points are awarded for every year of service rendered. However, one basis point is awarded for every full year of service rendered beyond 15 years, subject to a maximum of 45 basis points. Services less than six months are counted as one half year, whereas services more than six months are counted as one full year.

(2) For employees who opted to continue adopting pension rules of the "Labor Standards Act" after the Labor Pension Act came into effect and those who opted to

carry forward years of service from before enactment of Labor Pension Act, pension benefits are paid according to the rules outlined in the preceding Subparagraph.

(3) Employees who opted for pension rules of the Labor Standards Act and are compelled to retire under Subparagraph 2, Paragraph 1, Article 35 shall be given 20% additional pay if their mental or physical disability was caused while performing job duties.

(4) For employees who are subject to the pension rules of the Labor Pension Act, the Company makes contributions equal to 6% of their monthly salary into their personal pension accounts. Benefit claims are subject to the rules imposed by the authority.

### 3. Training and continuing education

The Company and subsidiaries have "Human Resources Control Procedures" in place to serve as guidance for employees' development and training. New recruits are given orientation training to familiarize with the Company's history, culture, work environment, policies, and systems. Internal management and specialist training courses are held on an unscheduled basis, and employees are assigned to training events organized by external institutions as necessary to complement the Company's own training and education program.

### 4. Employees' behavior and moral principles

(1) Employees shall uphold professional ethics and comply with all policies and orders when carrying out services. All employees shall be modest and sincere to customers, and carry out tasks meticulously and efficiently without arrogance, negligence, and delay. Employees are expected to tidy up workplace and return any retrieved documents back to the designated places before leaving work for the day. Employees shall pay constant attention to maintaining ethics, presentable appearance, and proper etiquette. Employees shall also refrain from undesirable habits and are expected to make good use of company assets.

(2) The Company has "Business Integrity Code of Conduct," "Ethical Behavior Guidelines for Directors, Managers and Mandataries" and "Employee Ethics Guidelines" available to guide directors, managers, and employees.

### 5. Enforcement of labor agreements and employee rights

The Company and subsidiaries have maintained harmonic employment relations, and use e-mail, employee opinion box, and labor-management meeting as ways to exchange opinions and maintain relationship between labor and management.

(ii) Actual or estimated losses arising as a result of employment dispute in the last year up until the publication date of annual report, and any response measures taken. State the reasons if losses can not be reasonably estimated:

The Company did not suffer any loss due to employment dispute in the last two years up until the publication of annual report. Current and future response measures undertaken by the Company and subsidiaries to enhance employment relations:

1. Promoting employment ethics under the concept of a big family.
2. Implementation of interactive communication and grievance channels: The Company adopts a humane management approach that respects employees, and uses a number of communication channels such as opinion box and department meeting to facilitate

one-way or bilateral communication or exchange of opinions between employees and managers.

3. Full compliance with employment regulations and enhanced welfare measures.
4. Current and future potential losses: The Company and subsidiaries adopt a rational management approach, and consider current employment relations to be harmonious and unlikely to incur monetary losses in the absence of other external variables.

**vi. Cybersecurity management:**

- (i) Explain the cybersecurity risk management framework, cybersecurity policy, management practices, and resources committed.

1. Cybersecurity risk management framework:

- (1) Cybersecurity responsibilities and training:

The IT Center oversees cybersecurity within the Company. All resigned and transferred employees will have system access canceled and restricted according to procedures. The Company promotes internal cybersecurity awareness and conducts cybersecurity checks on a yearly basis; outcomes of which are circulated to the Chairman.

- (2) Internet security control:

The Company has set up firewalls to control transmission and access of data outside the organization. Virus codes are regularly updated at terminals and are centrally controlled established.

- (3) Cybersecurity response:

The Company examines emergency response plans on a regular basis and organizes annual drills to ensure the effectiveness of data recovery procedures. A backup mechanism has been implemented, thereby allowing data and systems to be covered in the shortest time possible if an incident occurs.

- (4) Data access control:

Addition and change of access to application systems are carried out according to the procedures outlined in the IT Cycle. Each department is granted different access rights depending on their duties and functions.

2. Cybersecurity policy:

The Company has implemented Computer System Cycle and cybersecurity rules to enforce cybersecurity management. The IT Center oversees execution of cybersecurity tasks and operates with the following goals in mind:

- (1) To maintain integrity and usability of data.
  - (2) To ensure that data is accessed by departments within their duties and functions.
  - (3) To prevent unauthorized use of data and system.
  - (4) To reduce intrusion risk for the Company's networks and systems.
  - (5) To prevent inappropriate use of network resources.
  - (6) To apply strict controls in accordance with the Personal Data Protection Act over access of any system where personal data is stored.

(7) To promote cybersecurity awareness among new and existing employees

3. Management practices:

The Company has adopted the following cybersecurity management actions to minimize cybersecurity risks and ensure that abnormalities are resolved and operations resumed in the shortest time possible when an incident occurs.

- (1) External risk preventions: firewalls for filtering external access and blocking intrusions; spam filters for blocking social engineering mails; dual factor authentication for remote office sign-in.
- (2) Equipment management and protection: update of antivirus software, operating system vulnerability scan and enhancement, continuous monitoring of cybersecurity trends, and timely responses.
- (3) Response and recovery: establishment of system backups and recovery drill, and implementation of response plans (for hacker intrusion, power outage etc.).

4. Execution progress:

(1) The IT Center examined the cybersecurity policy regularly, and made a report to the board of directors on November 12, 2021 concerning evaluation of the cybersecurity risk management framework, the cybersecurity policy, cybersecurity risks, and outcomes of existing management measures.

(2) Promotion of cybersecurity awareness:

- ① Group IT employees were trained on anti-hack technologies in July this year.
- ② New recruits have been subjected to cybersecurity seminar and training.
- ③ The IT department pays constant attention to cybersecurity issues, gathers information on the latest threats, and shares them with all employees in a timely manner.

(3) Considering that cybersecurity is a new risk category, the Company had temporarily forgone cybersecurity insurance in light of the ongoing pandemic and the costs and yields associated with the new insurance. Nevertheless, the Company had undertaken the three management solutions and preventive measures mentioned above to effectively reduce cybersecurity risks amidst the new challenge.

(ii) Losses arising as a result of major cybersecurity incident in the last year up until the publication date of annual report, and possible impacts and response measures; state the reasons if losses can not be reasonably estimated: The Company did not succumb to hacker attack or encounter any cybersecurity incident in 2021 that affected company operations

**vii. Major contracts:**

List the parties, main details, restrictive clauses, and duration of any material contractual arrangement (that are relevant to shareholders' interest), such as supply/sale agreement, technological collaboration contract, construction contract, long-term borrowing contract etc., that is currently effective or had expired in the last year: None.

## VI. Financial Highlights

### 1. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(1) Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Comprehensive Income

#### 1. Condensed Consolidated Balance Sheet

Unit: TWD 1,000

Year		Financial data for the most recent five years (Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Item							
Current Assets		2,080,601	1,996,850	1,922,659	2,138,080	2,154,583	2,041,267
Property, plant and equipment		1,735,334	1,608,052	1,244,786	1,206,246	1,666,064	1,677,485
Intangible asset		30,055	27,684	6,354	3,757	4,559	3,987
Other Assets		273,096	225,575	281,402	416,170	221,547	233,575
Total Assets		4,119,086	3,858,161	3,455,201	3,764,253	4,046,753	3,956,314
Current liability	Before distribution	896,458	805,846	793,136	1,028,187	737,010	568,246
	After distribution	896,458	841,846	805,436	1,068,187	(Note 2)	(Note 2)
Current liability		65,107	77,589	63,577	82,404	525,680	518,239
Total Liabilities	Before distribution	961,565	883,435	856,713	1,110,591	1,262,690	1,086,485
	After distribution	961,565	919,435	869,013	1,150,591	(Note 2)	(Note 2)
Equity attributable to owners of the parent		3,014,869	2,865,439	2,485,682	2,564,821	2,640,411	2,720,458
Share capital		1,303,024	1,250,014	1,250,014	1,225,564	1,288,617	1,288,617
Additional paid-in capital	Before distribution	2,158,316	1,883,244	1,841,558	1,553,577	1,619,038	1,619,038
	After distribution	1,963,981	1,847,244	1,546,518	1,553,577	(Note 2)	(Note 2)
Retained Earnings	Before distribution	(194,335)	7,014	(289,754)	48,411	129,029	145,489
	After distribution	0	7,014	0	8,411	(Note 2)	(Note 2)
Other equity		(90,854)	(181,263)	(264,273)	(200,829)	(337,225)	(273,638)
Treasury stock		(161,282)	(93,570)	(58,877)	(61,902)	(59,048)	(59,048)
Non-controlling interests		142,652	109,287	112,806	88,841	143,652	149,371
Total Equity	Before distribution	3,157,521	2,974,726	2,598,488	2,653,662	2,784,063	2,869,829
	After distribution	3,157,521	2,938,726	2,586,188	2,613,662	(Note 2)	(Note 2)

Note 1: The accompanying financial data has been audited and attested by CPAs.

Note 2: Resolution of 2021 earning distribution at the 2022/02/24 BOD Meeting, and then the company will report it for approval of the shareholders' meeting.



## 2. Condensed Parent Company Only Comprehensive Income

Unit: TWD 1,000

Earnings per share (dollars)

Item \ Year	Financial data for the most recent five years (Note 1)					As of March 31, 2022
	2017	2018	2019	2020	2021	
Revenue	2,586,061	2,614,351	2,259,604	1,901,238	2,105,864	474,325
Gross profit	333,330	446,658	396,357	365,372	510,208	111,812
Net operating profit (Loss)	(71,163)	21,232	(57,300)	3,844	150,073	17,591
Non-operating income and expenses	(122,905)	34,541	(231,843)	39,882	(7,092)	3,497
Net profit before tax	(194,068)	55,773	(289,143)	43,726	142,981	21,088
Profit (Loss) from continuing operations for the year	(201,837)	44,302	(277,723)	32,823	127,745	18,204
Losses from discontinued operations	0	0	0	0	0	0
Profit (loss) for the year	(201,837)	44,302	(277,723)	32,823	127,745	18,204
Other comprehensive income (loss), net of taxes (net of taxes)	(48,979)	(86,252)	(67,361)	56,251	(142,295)	66,874
Total comprehensive income (loss) for the year	(250,816)	(41,950)	(345,084)	89,074	(14,550)	85,078
Profit attributable to owners of the parent	(189,872)	37,233	(286,302)	42,154	120,258	16,460
Profit attributable to noncontrolling interests	(11,965)	7,069	8,579	(9,331)	7,487	1,744
Total comprehensive income (loss) attributable to owners of the parent	(236,345)	(47,831)	(349,522)	98,658	(20,779)	79,359
Total comprehensive income (loss) attributable to non-controlling interests	(14,471)	5,881	4,438	(9,584)	6,229	5,719
Earnings (Losses) Per Share (EPS)	(1.55)	0.30	(2.39)	0.35	1.00	0.13

Note 1: The accompanying financial data has been audited and attested by CPAs.

### 3. Condensed Parent Company Only Balance Sheet

Unit: TWD 1,000

Year		Financial data for the most recent five years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		726,587	494,695	388,084	643,776	606,015
Property, plant and equipment		497,681	449,555	408,822	414,447	934,220
Intangible asset		3,127	1,647	715	257	88
Other Assets		2,570,493	2,583,035	2,204,287	2,016,211	1,911,564
Total Assets		3,797,888	3,528,932	3,001,908	3,074,691	3,451,887
Current liability	Before distribution	751,200	617,843	494,293	494,638	341,814
	After distribution	751,200	653,843	506,593	534,638	(Note 2)
Current liability		31,819	45,650	21,933	15,232	469,662
Total Liabilities	Before distribution	783,019	663,493	516,226	509,870	811,476
	After distribution	783,019	699,493	528,526	549,870	(Note 2)
Equity attributable to owners of the parent		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Share capital		1,303,024	1,250,014	1,250,014	1,225,564	1,288,617
Additional paid-in capital	Before distribution	2,158,316	1,883,244	1,841,558	1,553,577	1,619,038
	After distribution	1,963,981	1,847,244	1,546,518	1,553,577	(Note 2)
Retained Earnings	Before distribution	(194,335)	7,014	(289,754)	48,411	129,029
	After distribution	0	7,014	0	8,411	(Note 2)
Other equity		(90,854)	(181,263)	(264,273)	(200,829)	(337,225)
Treasury stock		(161,282)	(93,570)	(58,877)	(61,902)	(59,048)
Non-controlling interests		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total Equity	Before distribution	3,014,869	2,865,439	2,485,682	2,564,821	2,640,411
	After distribution	3,014,869	2,829,439	2,473,382	2,524,821	(Note 2)

Note 1: The accompanying financial data has been audited and attested by CPAs.

Note 2: Resolution of 2021 earning distribution at the 2022/02/24 BOD Meeting, and then the company will report it for approval of the shareholders' meeting.

#### 4. Condensed Parent Company Only Comprehensive Income

Unit: TWD 1,000  
Earnings per share (dollars)

Item \ Year	Financial data for the most recent five years (Note 1)				
	2017	2018	2019	2020	2021
Revenue	1,706,131	1,789,447	998,160	917,985	959,314
Gross profit	87,250	125,840	100,464	106,536	170,291
Profit (Loss) from operations	(108,982)	(30,380)	(54,219)	(16,311)	16,319
Non-operating income and expenses	(81,498)	67,613	(258,132)	58,465	105,629
Net profit before tax (Loss)	(190,480)	37,233	(312,351)	42,154	120,258
Profit (Loss) from continuing operations for the year	(189,872)	37,233	(312,351)	42,154	120,258
Losses from discontinued operations	0	0	0	0	0
Profit (loss) for the year	(189,872)	37,233	(286,302)	42,154	120,258
Other comprehensive income (loss), net of taxes (net of taxes)	(46,473)	(85,064)	(63,220)	56,504	(141,037)
Total comprehensive income (loss) for the year	(236,345)	(47,831)	(349,522)	98,658	(20,779)
Earnings (Losses) Per Share (EPS)	(1.55)	0.30	(2.39)	0.35	1.00

Note 1: The accompanying financial data has been audited and attested by CPAs.

(2) The names of CPA and their opinions for the most recent five years.

Year	Accounting firm	Names of CPA	Opinion and content
2017	KPMG	YANG, SHU-CHIH; WANG, CHING-SUNG	Unqualified opinion
2018	KPMG	LIN, HENG-SHENG; YANG, SHU-CHIH	Unqualified opinion
2019	KPMG	LIN, HENG-SHENG; YANG, SHU-CHIH	Unqualified opinion
2020	KPMG	LIN, HENG-SHENG; CHEN, PEI-CHI	Unqualified opinion
2021	KPMG	LIN, HENG-SHENG; CHEN, PEI-CHI	Unqualified opinion

## 2. Financial data for the most recent five years

### (1) Consolidated Financial Analysis

Year Item analyzed		Financial analysis for the most recent five years (Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure	Ratio of debts to assets (%)	23.32	22.90	24.79	29.50	31.20	27.46
	Ratio of long-term capital to <u>property, plant and equipment</u> (%)	185.71	189.81	213.86	226.82	198.66	201.97
Solvency	Current ratio (%)	232.09	247.80	242.41	207.95	292.34	359.22
	Quick ratio (%)	183.90	196.54	205.03	175.85	238.17	290.99
	Interest coverage ratio	(47.52)	8.16	(24.15)	5.65	8.17	5.81
Operating ability	Receivables turnover rate (times)	4.09	5.04	4.98	4.28	4.58	3.96
	Average collection days for receivables	89	72	73	85	80	92
	Inventory turnover rate (times)	5.44	5.00	5.29	5.18	4.83	4.24
	Payable turnover rate (times)	4.31	4.76	5.11	4.45	4.66	4.89
	Average days for sales	67	73	69	70	76	86
	<u>Property, plant and equipment</u> turnover rate (times)	1.36	1.56	1.58	1.55	1.47	1.13
	Total asset turnover rate (times)	0.59	0.66	0.62	0.53	0.54	0.47
Profitability	Return on assets (%)	(4.55)	1.27	(7.34)	1.12	3.68	2.17
	Return on <u>equity</u> (%)	(6.15)	1.44	(9.97)	1.25	4.70	2.58
	Ratio of profit before income tax to paid-in capital (%)	(14.89)	4.46	(23.13)	3.57	11.10	5.46
	Profit margin (%)	(7.80)	1.69	(12.29)	1.73	6.07	3.84
	Earnings per share (NT\$)	(1.55)	0.30	(2.39)	0.35	1.00	0.13
Cash flow	Cash flow ratio (%)	13.66	27.32	28.77	14.58	17.23	(7.30)
	Cash flow adequacy ratio (%)	70.30	93.65	143.89	161.25	81.68	75.76
	Cash flow reinvestment ratio (%)	3.04	5.52	5.01	3.64	1.93	(0.89)
Leveraging	Operating leverage	(8.01)	28.28	(9.41)	124.68	4.35	7.85
	Financial leverage	0.95	1.58	0.83	(0.69)	1.15	1.33
Reasons for changes in financial ratios in the most recent two annual periods. (if the difference exceeds 20%)							
1. The increase in current and quick ratio, compared to the previous year, was due to the							

- issuance of convertible corporate bonds and repayment of short-term borrowings.
2. The increase in interest coverage ratio, compared to the previous year, was due to the increase in profits in 2021.
  3. The increase in return on assets, return on equity, Ratio of profit before income tax to paid-in capital, Profit margin, and earnings per share was mainly due to the increase in profits in 2021.
  4. Cash flow adequacy ratio decreased, compared to the previous year, due to the increase in the capital expenditures by purchasing the operating headquarters in 2021.
  5. Cash flow reinvestment ratio decreased, compared to the previous year, due to the increase in the capital expenditures by purchasing the operating headquarters in 2021.
  6. Operating leverage decreased, compared to the previous year, due to the increase in operating profits in 2021.
  7. The increase in financial leverage, compared to the previous year, was mainly due to the increase in operating profits, which was greater than the interest expense, in 2021.

Note 1: The accompanying financial data has been audited and attested by CPAs.

Note 2: Below are calculations:

1. Financial structure
  - (1) Ratio of debts to asset = Total liabilities / Total assets
  - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
  - (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.
3. Operating ability
  - (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
  - (2) Average collection days for receivables = 365/Receivables turnover rate.
  - (3) Inventory turnover rate = Cost of goods sold / Average inventory.
  - (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).
  - (5) Average days for sales = 365 / Inventory turnover rate.
  - (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
  - (7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
  - (1) Return on assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets
  - (2) Return on equity = Net income after taxes / Average total equity
  - (3) Profit margin = Net income after taxes / Net sales
  - (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
  - (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + inventory increase + cash dividend) for the most recent five years.
  - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).
6. Leveraging
  - (1) Operating leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit.
  - (2) Financial leverage = Operating profit / (Operating profit - interest expenses).

(2) Parent Company Only Financial Analysis

Year Item analyzed		Financial analysis for the most recent five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure	Ratio of debts to assets (%)	20.62	18.80	17.20	16.58	23.51
	Ratio of long-term capital to property, plant and equipment (%)	612.18	647.55	613.38	622.53	332.91
Solvency	Current ratio (%)	96.72	80.07	78.51	130.15	177.29
	Quick ratio (%)	90.28	73.27	72.62	121.47	157.09
	Interest coverage ratio	(51.6)	7.65	(61.63)	11.48	10.16
Operating ability	Receivables turnover rate (times)	4.74	5.93	5.15	5.56	5.77
	Average collection days for receivables	77	62	71	66	63
	Inventory turnover rate (times)	22.13	29.37	20.11	21.68	15.74
	Payable turnover rate (times)	4.14	4.45	3.59	5.57	5.87
	Average days for sales	16	12	18	17	23
	Property, plant and equipment turnover rate (times)	3.04	3.78	2.33	2.23	1.42
	Total asset turnover rate (times)	0.43	0.49	0.31	0.30	0.29
Profitability	Return on assets (%)	(4.75)	1.14	(8.64)	1.50	4.02
	Return on equity (%)	(6.07)	1.27	(10.7)	1.67	4.62
	Ratio of profit before income tax to paid-in capital (%)	(14.62)	2.98	(24.99)	3.44	9.46
	Profit margin (%)	(11.13)	2.08	(28.68)	4.59	12.54
	Earnings per share (NT\$)	(1.55)	0.30	(2.39)	0.35	1.00
Cash flow	Cash flow ratio (%)	3.75	5.62	(3.13)	(19.15)	39.22
	Cash flow adequacy ratio (%)	174.51	284.44	351.59	134.99	14.80
	Cash flow reinvestment ratio (%)	0.84	1.08	(1.84)	(3.72)	2.75
Leveraging	Operating leverage	(1.26)	(5.01)	(2.27)	(7.38)	10.91
	Financial leverage	0.97	0.84	0.92	0.80	5.44

Reasons for changes in financial ratios in the most recent two annual periods. (if the difference exceeds 20%)

1. The increase in ratio of debts to assets, compared to the previous year, was mainly due to the issuance of convertible corporate bonds in 2021 and the purchase of long-term loans for the operating headquarters.
2. The decrease in ratio of long-term capital to property, plant and equipment was mainly due to the purchase of the operating headquarters in 2021.
3. The increase in current ratio and quick ratio, compared to the previous year, was mainly due to the issuance of convertible corporate bonds and the purchase of long-term loans
4. The inventory turnover rate decreased, and average collection days for receivables increased, compared to the previous year, due to preparing stock in advance for the lack of materials at the end of 2021.
5. The decrease in Property, plant and equipment turnover rate was mainly due to the purchase of the operating headquarters in 2021.
6. The increase in return on assets, return on equity, Ratio of profit before income tax to paid-in capital, Profit margin, and earnings per share was mainly due to the increase in profits in 2021.
7. The increase in cash flow ratio, compared to the previous year, was mainly due to the increase in net cash inflow from operating activities in 2021.
8. Cash flow adequacy ratio decreased, compared to the previous year, due to the increase of capital expenditure in 2021.
9. The increase in cash reinvestment ratio, compared to the previous year, was mainly due to the net cash inflow from operating activities in 2021.
10. The increase in operating leverage and financial leverage, was mainly due to the increase in operating profits, which was greater than the interest expense, in 2021.

Note 1: The accompanying financial data has been audited and attested by CPAs.

Note 2: Below are calculations:

3. **The Audit Committee's Review Report:** please refer to P. 175.
4. **Consolidated Financial Statements with Independent Auditors' Report of the most recent year:** please refer to P. 177–246.
5. **Parent Company only Financial Statements with Independent Auditors' Report for the most recent year:** Please refer to P. 247–308.
6. **Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined:** None.

## VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management

### 1. Financial position Analysis

Unit: TWD 1,000

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	2,154,583	2,138,080	16,503	0.77
Property, plant and equipment	1,666,064	1,206,246	459,818	38.12
Intangible asset	4,559	3,757	802	21.35
Other Assets	62,313	137,637	(75,324)	(54.73)
Total Assets	4,046,753	3,764,253	282,500	7.50
Current liability	737,010	1,028,187	(291,177)	(28.32)
Current liability	525,680	82,404	443,276	537.93
Total Liabilities	1,262,690	1,110,591	152,099	13.70
Equity attributable to owners of the parent	2,640,411	2,564,821	75,590	2.95
Share capital	1,288,617	1,225,564	63,053	5.14
Additional paid-in capital	1,619,038	1,553,577	65,461	4.21
Retained earnings	129,029	48,411	80,618	166.53
Other equity	(337,225)	(200,829)	(136,396)	(67.92)
Treasury stock	(59,048)	(61,902)	2,854	4.61
Non-controlling interests	143,652	88,841	54,811	61.70
Total Equity	2,784,063	2,653,662	130,401	4.91
Reasons for changes in proportion exceeding 20% and over NT\$10 million in the most recent two years:				
<ol style="list-style-type: none"> <li>1. The increase in property, plant and equipment was mainly due to the purchase of the operating headquarters.</li> <li>2. The decrease in other assets was mainly due to the decrease in prepayments of Property, plant and equipment, since the operating headquarters purchased in 2020, which was in acceptance and recognized as the property in 2021.</li> <li>3. The decrease in current liabilities was mainly due to the issuance of convertible corporate bonds and the repayment of short-term borrowings in 2021.</li> <li>4. The increase in non-current liabilities was mainly due to the issuance of convertible corporate bonds in 2021 and the purchase of long-term loans for the operating headquarters.</li> <li>5. The increase in retained earnings was mainly due to the increase in the profit in 2021.</li> <li>6. The decrease in other equities was mainly due to the loss of the investee, recognized as the evaluation loss at fair value in 2021.</li> <li>7. The increase in non-controlling interests was mainly due to the change in the Company's shareholding ratio to its subsidiaries, recognized as an increase in the minority interest.</li> </ol>				



## 2. Financial performance

### (1) Financial performance analysis

Unit: TWD 1,000

Item \ Year	2021	2020	Difference	
			Amount	%
Revenue	2,105,864	1,901,238	204,626	10.76
Gross profit	510,208	365,372	144,836	39.64
Operating expenses	360,135	361,528	(1,393)	(0.39)
Net operating profit	150,073	3,844	146,229	3,804.08
Non-operating income and expenses	(7,092)	39,882	(46,974)	(117.78)
Net pre-tax profit	142,981	43,726	99,255	226.99
Income tax expense	15,236	10,903	4,333	39.74
Profit for the year	127,745	32,823	94,922	289.19
<p>Reasons for changes in proportion exceeding 20% and over NT\$10 million in the most recent two years:</p> <ol style="list-style-type: none"> <li>1. Increase in the gross profit: mainly due to the adjustment of sales of the product combination in 2021 and the increase in the proportion of high-margin products, so the gross profit increased a lot compared to 2020's.</li> <li>2. Increase in the net operating profit: Mainly due to the increase in the gross profit and the decrease in the operating expenses in 2021, the net operating profit increased.</li> <li>3. The decrease in non-operating income and expenses: Mainly due to the decrease in interest income in 2021 and the increase in interest expense recognized by the issuance of convertible corporate bonds.</li> <li>4. The increase in the net profit before tax and profit: The net operating profit increased a lot in 2021, but the non-operating income decreased compared to 2020's; however, the net profit before tax and profit increased substantially compared to 2020's.</li> </ol>				

- (2) A sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response.

Information of research institutions such as PIDA, research of company's business department indicates that:

1. LED lighting components and modules: In recent years, governments around the world have started to realize issues of energy saving and environmental protection, with the rising global energy prices. As for rapid development of the concept of energy saving and environmental protection, and alternative lighting technologies, European, American and Japanese countries have promoted LED illumination. However, due to affection by lower-price competition from

manufacturers in China, the company and its subsidiaries continue to increase the markets of the finished module. By the model of production capacity and cooperation with outsourcing factories, we expect sales of components in 2022 will be decreased by 10%, compared to 2021's, but sales of lighting modules and finished products will grow by 20%, compared to 2021's.

2. LED automotive lighting modules: Global automotive market continued to be affected by the epidemic and lack of materials in 2021, and shipments stopped to increase, but the growth of new energy vehicles are still a trend in the future. We expect sales of automotive lighting modules may be increase by 20%, compared to 2021's
3. Optical transmission components: Due to rapid development of multimedia products, electronic products have much higher requirements for the quality of audio and video, with upcoming 5G era and popularity of digital audio sources, the use of optical transmission components has been increased. Sales of audio-visual devices, such as DVD, PC, NB, STB, mobile phones and others, in 2022 will be the same as 2021's, as it has slowly grown and by lower-price competition from manufacturers of China.

### 3. Cash flow

#### (1) Change in consolidated cash flow in 2021

Item \ Year	2021	2020	Change in proportion
Cash flow ratio	17.23%	14.58%	18%
Cash flow adequacy ratio (%)	81.68%	161.25%	(49%)
Cash flow reinvestment ratio (%)	1.93%	3.64%	(47%)
Remarks for analysis of changes:			
1. Cash flow adequacy ratio decreased, compared to the previous year, due to the increase in the capital expenditures by purchasing the operating headquarters in 2021.			
2. Cash flow reinvestment ratio decreased, compared to the previous year, due to the increase in the capital expenditures by purchasing the operating headquarters in 2021.			

#### (2) Liquidity improvement plan:

The company purchased the operating headquarters in 2021, so net cash inflow from operating activities was lower than the net cash outflow from investment activities. In addition, as for issuing convertible corporate bonds to repay short-term bank borrowings, we also borrowed long-term borrowings to acquire the property in 2021, with no problem of liquidity, as well as we negotiated loan limits and the bank can satisfy requirements of the group's operation.

(3) Analysis of cash liquidity in the coming year:

Unit: TWD 1,000

Cash balance at the beginning of 2021	Expected net cash flow from business activities	Expected cash outflow	Expected surplus or shortage in cash	Expected remedies for shortage in cash	
				Investment plan	Wealth management plan
1,176,003	150,000	120,000	1,206,003	0	0

Remarks:

1. Cash Flow Analysis for the Coming Year

(1) Operating activities: Inflow in cash flow from operating activities was mainly due to continuous adjustment of combination of the product for improving profit margin and profits.

(2) Investing activities: Outflows in cash from investing activities are mainly due to the Group's continuous development of the automotive lighting and commercial lighting markets in 2022, the purchase in the capital expenditure of machinery of production line and experimental equipment and other fixed assets for approximately 65,000 thousand, and Expenses of replacing old machinery and equipment, totaling approximately 20,000 thousand.

(3) Financing activities: the cash outflow from financing activities was mainly due to distribution of cash dividends of 35,000 thousand.

2. Expected remedies for shortage in cash and liquidity analysis: As we expected shortage in cash, we will make bank loans in priority.

**4. Major Capital Expenditure Items and Source of Capital:**

(1) The situation of utilization of major Capital Expenditure Items and Source of Capital

Unit: TWD 1,000

Project items	Actual or expected capital sources	Expected completion Date	Total capital required	Schedule of utilization of actual or expected capital				
				2021	2022	2023	2024	2025
Fixed assets	Own funds	2021.01-2025.12	719,666	484,666	85,000	50,000	50,000	50,000

(2) Expected benefits:

We focused on sales of finished modules and automotive modules, continue to improve production efficiency and improve manufacturing processes, for cooperation with the Group's business development and transition, hence the Group increased capital expenditures on machinery and equipment in 2021. In addition, we also purchased assembly lines of production and testing equipment in 2021, and also

started to receive benefits in 2021, for development of the automotive LED Module Market. We expected to deploy more complete automotive LED modules and assembly lines of finished products, in order to increase the Group's plan in the automotive lighting market, in 2022 and the following year.

In addition, to consider our development, the group has moved from China to the world and Taiwan; the group has purchased operating headquarters in 2020 Q4 and acquired it in 2021 Q1. We will move in in January 2022, and all old factories and offices will be used for production. We expected that the layout of the LED automotive market and the project of LED lighting market will be increased in 2022, and the strategic cooperation between the Group and customers will be improved, in order to increase the Group's revenues and contribution of profits.

**5. The annual report shall describe the company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.**

**(1) The company's reinvestment policy**

According to factors, such as operational requirements and consideration of future growth, The management team of the company and its subsidiaries conduct reinvestment, set a detailed assessment and evaluation recommendations for reinvestment cases, by the organization type, investment purpose, setting location, market conditions, business development, possible joint venture partners, shareholding ratio, reference price and financial status of the reinvested enterprises, for management making investment decisions. As for the invested enterprises, we can keep understand their operating conditions at times, and analyze investment results, so as to help management conduct due diligence.

The re-investment enterprises of the company and its subsidiaries are based on suppliers or customers who transact with the company, directly or indirectly. We can acquire capacity required for production, or keep a cooperative relationship in the present markets, through investments. The group has changed from component manufacturing of LED to the trend of cooperation between modules of the downstream and applications of the finished product. By a relationship of re-investments, we keep a stable source of supplies, and support customers to increase the scale of the markets, to achieve a win-win purpose. At present, the Company and its subsidiaries have no plans for reinvestment companies for financial operations.

## (2) The main reasons for the profits/losses generated thereby, the improvement plan

2021/12/31 Unit: NT\$1000

Reinvested Company	Shareholding ratio	Amount of long-term investment	Investment Profit (loss) in 2021	Major reasons for profit or loss	Improvement plan	Other future investment plan
Edison Opto Corporation	100%	6,204	(140)	Mainly due to exchange gains or losses	None	None
Ledison Opto Corporation	100%	229,348	10,425	Recognized investment profits of Edison Opto (Dong Guan) Co., Ltd.	None	None
Edison Opto (Dong Guan) Co., Ltd. (Note 1)	100%	235,521	10,957	Mainly due to the product combination with higher margin, so profits will be increased.	None	None
Best Opto Corporation	100%	1,177,189	27,249	Recognized investment profits of Best Led	None	None
Best Led Corporation (Note 2)	100%	1,188,816	29,214	Recognized investment profits of Edison Opto (Dong Guan) Co., Ltd.	None	None
Edison Opto (Dong Guan) Co., Ltd. (Note 3)	100%	1,188,812	29,214	Mainly due to integration of resources and the product combination with higher margin, so profits will be increased.	None	None
Yangzhou Aichuang Electronic Trade Corporation (Note 4)	100%	2,233	40	Mainly due to interest income recognized	None	None
Alpha Tree Investment Limited	100%	77,945	8,488	Mainly due to investment gains of subsidiaries and sales and purchases of stock.	None	None
Edison Opto USA Corporation (Note 5)	55%	30,679	9,191	Mainly due to transaction partners with higher gross margin, profits will be increased.	None	None
Ledionopto Intelligent Technology Co., Ltd (Note 5)	100%	19,684	(4,221)	Losses due to liquidation of Led Plus, its operational activities have been stopped and it's integrated into other companies.	None	None
Edison Auto Lighting Corporation (Note 5)	100%	4,020	(1,221)	Losses induced by revenues that do not reach economic scales	To expand markets	None

Reinvested Company	Shareholding ratio	Amount of long-term investment	Investment Profit (loss) in 2021	Major reasons for profit or loss	Improvement plan	Other future investment plan
Edison-Litek Opto Corporation Limited (Note 6)	73%	109,074	(868)	Investment losses recognized by Yangzhou Edison Opto Corporation	To help earn profits of subsidiaries	None
Yangzhou Edison-Litek Opto Corporation (Note 6)	73%	154,821	(1,628)	Losses induced by revenues that do not reach economic scales	To expand markets	None
Edison-Litek Opto Corp.	79%	189,903	36,712	Mainly due to automotive lighting products reach economic scales and continue to develop, profits will be increased.	None	None
Edison-Egypt Opto Corporation	100%	21,204	12,432	The increase in revenues was mainly due to expansion of economic scales and collection of overdue receivables	To collect receivables	None

Note 1: The company holds shares of Edison Opto (Dong Guan) Co., Ltd. through Ledison Opto Corporation.

Note 2: The Company holds shares of Best Led Corporation through Best Opto Corporation.

Note 3: The company holds shares of Yangzhou Edison Opto Corporation through Best Led Corporation.

Note 4: The company holds shares of Yangzhou Aichuang Electronic Trade Corporation through Yangzhou Edison Opto Corporation.

Note 5: The company invests and holds shares of Edison Opto USA Corporation, Ledionopto Intelligent Technology Co., Ltd, and Edison Auto Lighting Corporation through Alpha Tree Investment Limited.

Note 6: Edison-Litek Opto Corporation Limited is jointly invested and established by the company and two shareholders. The company and its subsidiary, Edison-Litek Opto Corp., hold 73% of shares, and 100% invested Yangzhou Edison-Litek Opto Corporation through it.

### (3) Investment plans for the coming year:

The company and its subsidiaries have improved their competitiveness by considering conditions of the market and operating, for business expansion and global layout, changing from component sales to the finished product of modules in various fields such as LED lighting and automotive applications in the markets, leading requirements of customers in the LED lighting of end-users' market, and improving the operating strategy by transformation of old business model as component manufacturers of LED. Taiwan and China will continue to invest in research and development of new equipment in new application fields in the future. As the group has a certain production capacity, we will reduce the investment in equipment of packaging components and increase automotive modules and SMT equipment.

## 6. Matters for Analysis and Assessment for Risks

Risk factors:

1.The impact of recent changes in interest rates, exchange rate changes and inflation on the profit and loss of the company and its subsidiaries and future countermeasures

(1) Interest rate: Interest expenses of the Company and its subsidiaries were 9,398 thousand and 19,945 thousand, separately, in 2021 and 2020, accounting for 0.49% and 0.95% of sales revenues, with a less ratio, and no significant impact on profit or loss of the consolidated financial statements. With the growth of performance and the expansion of the operating scale, it is necessary to continuously invest in capital expenditures such as R&D equipment to increase the company's competitiveness. However, the company and its subsidiaries reference opinions of various research institutions, pay attention to the trend of interest rates, and establish good cooperative relations with financial institutions to receive lower capital costs. Except for keeping conservative principles and sincere use of working capital, we will continue to improve the financial structure to control the cost of capital.

(2) Exchange rate: Exchange losses of the company and its subsidiaries accounted for 0.03% and 0.38% of the operating revenues, in 2020 and 2021. The company and its subsidiaries have a high proportion of export sales and are mostly denominated in US dollars. Thus, changes in the exchange rate of NTD and RMB may affect the profit or loss. Management of exchange risks adopts the conservative principle and stable balance of assets and liabilities to reduce the impact of fluctuations of exchange rates on the company's operating profits. The group's countermeasures in exchange changes:

- A. As the business division makes a quotation to the customer, it will consider the trend of the exchange rate, by comprehensive consideration of the impact, with a more stable quotation, in order to avoid the huge change in the company's profits, triggered by the change in the exchange rate.
- B. The financial division keeps a close relationship with financial institutions, observes changes in exchange rates, adjusts foreign currency assets and liabilities at times, manages foreign exchange positions, and adjusts foreign currency positions held to balance assets and liabilities of the foreign currency. Hence, we expect to decrease the impact on the profit and loss.

(3) Inflation: The company and its subsidiaries pay close attention to inflation, continue to reduce costs, pay attention to the supply and demand of raw materials and price changes, adjust inventories at times, and develop high value-added products, etc., for countermeasures.

2.The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

- (1) The company and its subsidiaries have set "Regulations Governing the Acquisition and Disposal of Assets," "Regulations Governing Making of Endorsements/Guarantees" and "Regulations Governing Loaning of Funds to others," approved by the shareholders' meeting, as for the company to do relevant transactions.
- (2) The company and its subsidiaries haven't invested high-risk and high-leverage investments in 2021 and as of the date of publication of the annual report.
- (3) As of 2021 and the date of publication of the annual report of the company and its subsidiaries, Yangzhou Edison Opto Corporation made loans of RMB 10 million to Edison Opto (Dong Guan) Co., Ltd, for short-term financing. As of the publication date of the annual report, it has actually used 10 million. Edison-Litek Opto Corporation Limited made loans of USD 1.1 million to Edison-Litek Opto Corp, for short-term financing, and it has actually used USD 1.1 million as of the publication date of the annual report, according to "Regulations Governing Loaning of Funds to others" of the company and its subsidiaries.
- (4) The company and its subsidiaries haven't made endorsements/guarantees in 2021 and as of the date of publication of the annual report.
- (5) As of 2021 and the date of publication of the annual report, the company purchased short-term (within 3 months) principal-guaranteed wealth management products denominated in RMB to receive higher gains. As its income is relevant to SHIBOR interest rate, exchange rate or gold, etc., it shall be seemed a derivative, according to the company's "Regulations Governing the Acquisition and Disposal of Assets" for derivatives, with regular evaluation and report to the board of directors and do public announcements. Except for the above operations, the Company and its subsidiaries have not invested in other derivatives transactions.

3.Research and development work to be carried out in the future, and further expenditures expected for research and development work.

- (1) The company and its subsidiaries engage in the research, development and production of high-power LED components, LED lighting and automotive module products, optical transmission components and invisible light (infrared and ultraviolet) products, etc. The relevant plans in the future go as follows:
  - A. High luminous efficiency of LED element (150lm/W or above).



- B. Ultra-small LED, for high-efficiency of secondary optical design and improvement of cost structure, development of the smallest-sized and high-power LED.
  - C. LED modules for commercial lighting (including LED components with high luminous efficacy, high CRI, low-frequency and wide voltage, in line with EU and US safety regulations) are used in wall lamps, ceiling lamps and other applications. The lamp can reach a high-quality of light source with 90lm/W or above, and above CRI 90.
  - D. A component of surface source of LED with high-power, high-CRI, high-efficiency, ranging from 9W to 35W, are designed for indoor lighting (recessed lights, bulbs, etc.), with an efficiency of more than 140lm/W, and an average CRI of 90.
  - E. The company has acquired the IATF 16949 for LED module of car lamp, for assuring the stable quality of automotive products to customers. At present, the company has launched a series of components and modules for automotive headlights, fog lights and turn signals, with thin miniature designs and provide manufacturers of the automotive with flexibility of design.
  - F. Specific lighting components and modules, except for general lighting products, the company also increases the application field of LED and develops various special lighting products, such as street lighting, medical beauty, situational decoration, plant lighting, intelligent lighting, UVC cleaning, and LD IR laser.
- (2) The company and its subsidiaries have always been committed to improvement of the luminous efficiency, light output quality and production procedure of LED, and applied for patents of the component packaging technology, module low-frequency flicker technology, and module wide voltage of LED in many countries, in order to improve Industrial competitiveness of LED packaging and module technologies in Taiwan. In addition, we also develop new packaging materials with hardware and software equipment with high-stability, high-precision, to decrease the difficulty of the packaging process of LED, and time for LED development, promote upgrading the industries of LED, and get closer to the international markets. In the future, we will continue to focus on the development of core technologies, research and development of innovative product lines, related to LED lighting technology. We expect that expenses and capital expenditure on equipment of research and development in 2021 will be over 5% of the operating revenues, for enhancing the competitive advantage.

4. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The operation of the company and its subsidiaries obey relevant domestic and foreign laws and regulations, and always aware of changes in domestic and foreign policies and laws, and has a profession for legal and intellectual property and pays attention to changes in important domestic and foreign policies and laws at any time, and provides countermeasures. As of 2021 and the date of publication of the annual report, the company and its subsidiaries have not been affected by changes in important domestic and foreign policies and laws, which affect the company's financial and business.

5. Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

The required technical level shall be different from ordinary LEDs, as requirements of global environmental protection, energy saving and changes in technology, the application field of energy-saving and environmentally friendly high-power of LED lighting has increased. The company and its subsidiaries improve and innovate their own technology, and focus on research and development of new products and technologies. Our developed technologies are applied for multi-national patents to correspond to changes in the technological environments, and we will continue to invest in technological research and development in the future. The company and its subsidiaries have concentrated on the market for many years, and have a high degree of understand of the demand and changes in the market. We can adjust the business strategies for changes in industries, in order to keep the company's competitiveness and decrease the impact on our finance and business. As of 2021 and the date of publication of the annual report, changes in science and technology as well as industrial change has no significant impact on the company.

6. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

Since our establishment, the company and its subsidiaries have taken the corporate culture of "Integrity & honesty, action & pragmatism, modesty & steadfastness" as our development goals. Except for the development of the industry, the company continues to focus on development of energy-saving LED lighting, and pays attention to quality of products, promotes customer service, and we have established a good market reputation. By putting much effort in public welfare activities, we committed to keeping corporate image, and obey relevant laws and

regulations. As of now, we don't have any matters which make changes in the company's corporate image.

- 7.Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.

As of the recent year and the date of publication of the annual report of the company and its subsidiaries, we don't have any plan of acquisition. Except for conducting a plan of acquisition in the future, we will follow relevant laws and regulations, and our internal management procedures, with a sincere attitude, in order to consider if it brings synergies for the company, and assure rights of ordinaries shareholders.

- 8.Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken.

Due to requirements of the global layout after the China-US trade war, the scale of operation in Taiwan continued to increase, and the existing space was not enough to be used. The board of directors of the company approved the purchase of NT\$536 million of the factory and office in Zhong-He District, New Taipei City on November 10, 2020, as the operating headquarters of the group, and the old plant will be used for production lines. The transfer procedure was completed in January 2021, and the company moved into it in January 2022. The relevant operations are based on the Company's "Regulations Governing the Acquisition and Disposal of Assets" and internal controls.

- 9.Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The company and its subsidiaries purchased materials, such as chips, phosphors, brackets, PCB substrates, semiconductor ICs, electronic parts, lenses, heat sinks, mechanical components, plastic injection materials, and lighting modules required by customers. As for the purchases in the recent two years, it has no single supplier whose purchase amount accounted for over 10%, hence no risk of concentration of purchases.

In order to maintain the stability, quality, price and delivery time of our supply, the company not only pays on time to win trust of suppliers, but also keeps a good relationship with purchasers. Due to factors, such as the cost, scale of economical procurement, and cooperation between the two parties, we purchase from suppliers with good quality, a good application with production, and stable supplies. The company and its subsidiaries are also actively developing other suppliers. At present, raw materials come from more than two suppliers, to reduce the risk of concentration of material sources, and kept a good cooperative relationship with suppliers. The quality and delivery time of each supplier are normal over years, with no shortage or interruption of the supply.

The company and its subsidiaries sell products, such as LED lighting components and modules, LED automotive modules and optical transmission components. For the last two years, except for a customer of Tier I of automotive modules whose sales amount accounted for more than 10% of revenues, there is no other customer whose sales ratio exceeds 10% of revenues. Hence, there is no risk of concentration on sales.

10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.
11. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.

As for the establishment of the company, management has held important positions related to the company for a long while. For spirit of corporate governance, the directors and supervisors were re-elected on June 13, 2013, and we voluntarily adopted the audit committee (it will be 4th period after re-election of the shareholders' meeting in 2022) for Supervision of the decision-making content of the board of directors and the operation of the company. The management of the company will support the company's business philosophy and good ethic, improve the company's operating performance and profit growth to earn shareholders' recognition of the management team in the future. As of now, the company's management rights are stable. As of the publication date of the annual report, the Company has no change in governance personnel or top management.

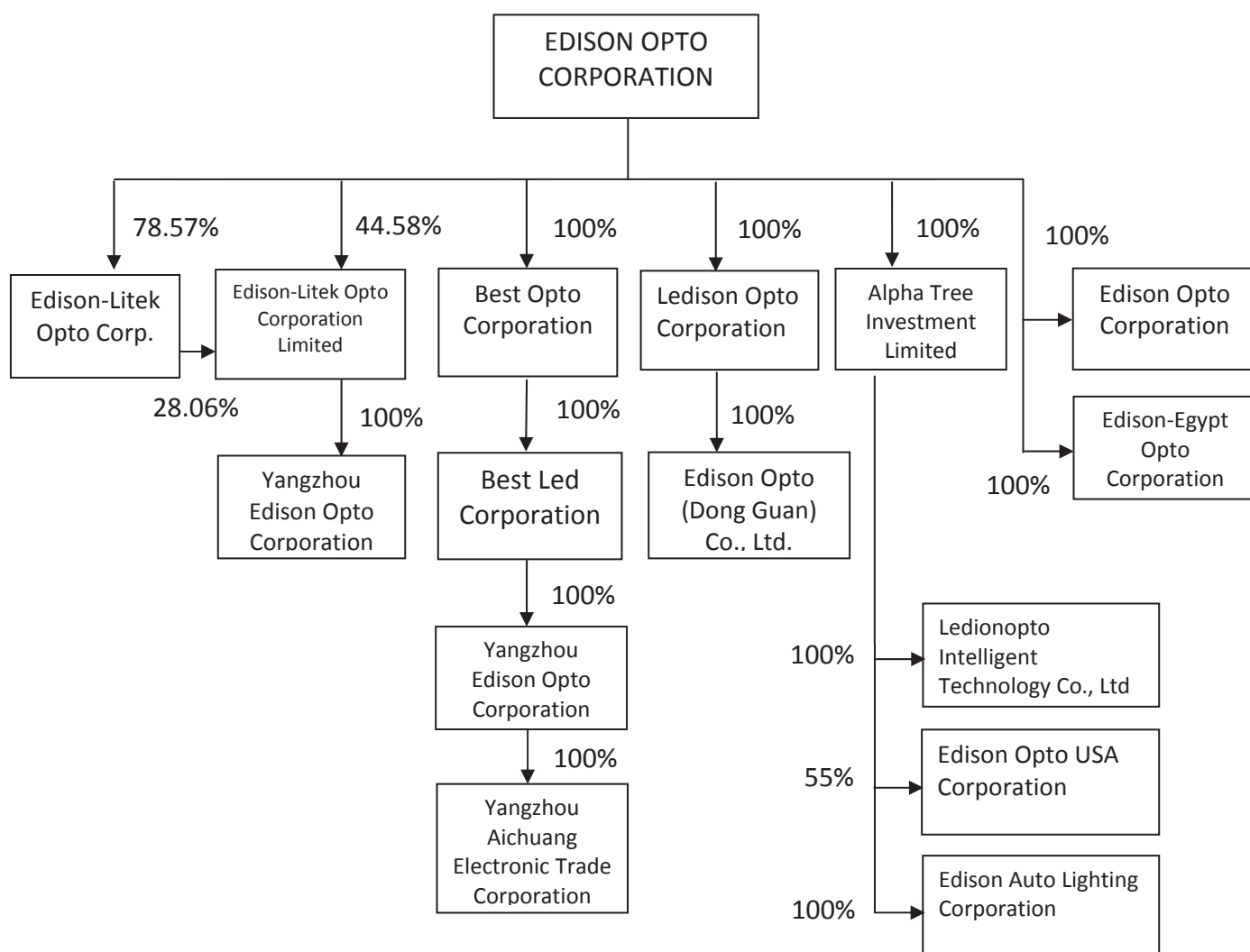
12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.
13. Other important risks, and mitigation measures being or to be taken.

**7. Other material matters: None.**

## VIII. Affiliated companies and special Notes

### 1. Summary of affiliated companies:

(1) Affiliated companies chart (2021/12/31)



## (2) Information of affiliated companies

2021/12/31 Unit: NT\$1,000

Company	Date of Incorporation	Place of Registration	Capital Stock (NT\$)	Main business or production activities
Ledison Opto Corporation	2005.08.11	Offshore chambers, Po Box 217, Apia, Samoa	USD 4,500	Investment
Edison Opto Corporation	2003.06.19	Offshore chambers, Po Box 217, Apia, Samoa	USD 31	Sales of optoelectronic products
Best Opto Corporation	2006.08.04	Portcullis TrustNet chambers, Po Box 1225, Apia, Samoa	USD 50,000	Investment
Best LED Corporation	2006.08.08	Portcullis TrustNet chambers, Po Box 1225, Apia, Samoa	USD 50,000	Investment
Edison Opto (Dong Guan) Co., Ltd.	2006.05.17	Section 1, Xicheng Industrial, Hengli Town, Dongguan City, Guangdong Province, China	USD 4,500	Optoelectronic products' production and sales
Yangzhou Edison Opto Corporation	2006.11.10	No. 101, Huayang West Road, Yangzhou City, Jiangsu Province, China	USD 50,000	Optoelectronic products' production and sales
Yangzhou Aichuang Electronic Trade Corporation	2019.09.23	No. 101, Huayang West Road, Yangzhou City, Jiangsu Province, China	RMB 500	Sales of optoelectronic products
Alpha Tree Investment Limited	2011.04.22	17F., No. 17, Qiaohe Rd., Zhonghe Dist., New Taipei City	NTD 250,000	Investment
Edison Opto USA Corporation	2012.10.15	1809 Excise Avenue, Suite 201, Ontario CA 91761	USD 400	Sales of optoelectronic products
Edison-Litek Opto Corporation Limited	2014.06.30	Units 3306-12 33/F Shui On CTR 6-8 Harbour Rd Wanchai Honh Kong	USD 10,000	Investment
Yangzhou Edison-Litek Opto Corporation	2014.07.22	No. 101, Huayang West Road, Yangzhou City, Jiangsu Province, China	USD 8,875	Optoelectronic products' production and sales
Ledionopto Intelligent Technology Co., Ltd	2008.06.05	17F., No. 13, Qiaohe Rd., Zhonghe Dist., New Taipei City	NTD 22,000	Sales of optoelectronic products
Edison-Litek Opto Corp.	2017.11.14	17F., No. 13, Qiaohe Rd., Zhonghe Dist., New Taipei City	NTD 140,000	Optoelectronic products' production and sales
Edison-Egypt Opto Corporation	2018.11.08	4F.-1, No. 800, Zhongzheng Rd., Zhonghe Dist., New Taipei City	NTD 25,000	Sales of optoelectronic products
Edison Auto Lighting Corporation	2019.10.03	8F.-5, No. 800, Zhongzheng Rd., Zhonghe Dist., New Taipei City	NTD 10,000	Sales of optoelectronic products

- (3) Information on the same shareholders, who have control and affiliated relationship with the company, according to Article 369-3 of the Company Act: None.
- (4) The type of industries and its connection of the affiliated companies: investment, holding, manufacturing, and merchandising-sector companies.

Company	the orientation strategy of the company	Main products	Among affiliated enterprises business relationship	Sales partners
Ledison Opto Corporation	Holding company	Ordinary investments	Holding company	-
Edison Opto Corporation	Sales company	Optoelectronic products	Sales of optoelectronic products	The sales partner is the company around the world
Best Opto Corporation	Holding company	Ordinary investments	Holding company	-
Best LED Corporation	Holding company	Ordinary investments	Holding company	-
Edison Opto (Dong Guan) Co., Ltd.	Foreign production and sales	Optoelectronic products	Produces and sales of Optoelectronic products	Selling to EDISON OPTO and the company in China
Yangzhou Edison Opto Corporation	Foreign production and sales	Optoelectronic products	Produces and sales of Optoelectronic products	Selling to EDISON OPTO and the company in China
Yangzhou Aichuang Electronic Trade Corporation	Sales company	Optoelectronic products	Sales of optoelectronic products	Selling to Yangzhou Edison Opto Corporation
Alpha Tree Investment Limited	Reinvested Company	Ordinary investments	Holding company	-
Edison Opto USA Corporation	Sales company	Optoelectronic products	Sales of optoelectronic products	The sales partner is the company in America
Edison-Litek Opto Corporation Limited	Holding company	Ordinary investments	Holding company	-
Yangzhou Edison-Litek Opto Corporation	Foreign production and sales	Optoelectronic products	Produces and sales of Optoelectronic products	The sales partner is the company around the world
Ledionopto Intelligent Technology Co., Ltd	Sales company	Optoelectronic products	Sales of optoelectronic products	The sales partner is the company around the world
Edison-Litek Opto Corp.	production and sales	Optoelectronic products	Produces and sales of Optoelectronic products	The sales partner is the company around the world
Edison-Egypt Opto Corporation	design and sales	Optoelectronic products	Sales of optoelectronic products	The sales partner is the company around the world
Edison Auto Lighting Corporation	design and sales	Optoelectronic products	Sales of optoelectronic products	The sales partner is the company around the world



## (5) Directors, supervisors, and presidents of affiliates:

2021/12/31 Unit: NT\$1,000 shares

Company	Position	Name or representative					Shares held	
							Shares	Shareholding percentage (%)
Ledison Opto Corporation	Director	Jason Wu					4,500	100
Edison Opto Corporation	Director	Jason Wu					30	100
Best Opto Corporation	Director	Jason Wu					50,000	100
Best LED Corporation	Director	Jason Wu					50,000	100
Edison Opto (Dong Guan) Co., Ltd.	Chairperson	Jason Wu	Director	Yaochuan Hong	Director	CHEN, CHIEN-MING	-	100
Yangzhou Edison Opto Corporation	Chairperson	Jason Wu	Director	Yaochuan Hong	Director	CHEN, CHIEN-MING	-	100
	Supervisor	Cheng-Dian Hsu						
Yangzhou Aichuang Electronic Trade Corporation Company	Chairperson	Jason Wu	Director	Qingyuan Liu	Director	Kundian He	-	100
	Supervisor	Cheng-Dian Hsu						
Alpha Tree Investment Limited	Chairperson	Edison Opto Corp., representative: WU, CHIEN-JUNG					25,000	100
	Director	Edison Opto Corp., representative: WU, CHIEN-JUNG						
	Director	Edison Opto Corp., representative: CHEN, CHIEN-MING						
	Supervisor	Edison Opto Corp., representative: HSU, CHENG-TIEN						
Edison Opto USA Corporation	Chairperson	Wen-Ruei Cheng					220	55
	Director	Wang, Li-Li		Director	Ashley Cheng			
Edison-Litek Opto Corporation Limitd	Chairperson	Jason Wu					8,963	73
Yangzhou Edison-Litek Opto Corporation	Chairperson	Jason Wu	Director	KAO, CHANG-CHIN	Director	YOO JUN SANG	-	73
	Supervisor	Cheng-Dian Hsu						
Ledionopto Intelligent Technology Co., Ltd	Chairperson	Edison Opto Corp., representative: WU, CHIEN-JUNG					2,200	100
	Director	Edison Opto Corp., representative: WANG, LI-LI						
	Director	Edison Opto Corp., representative: WANG, PO-CHUNG						
	Supervisor	Edison Opto Corp., representative: HSU, CHENG-TIEN						
Edison-Litek Opto Corp.	Chairperson	Edison Opto Corp., representative: WU, CHIEN-JUNG					14,000	79
	Director	Edison Opto Corp., representative: KAO, CHANG-CHING						
	Director	Edison Opto Corp., representative: WANG, LI-LI						
	Supervisor	Edison Opto Corp., representative: HSU, CHENG-TIEN						
Edison-Egypt Opto Corporation	Chairperson	Edison Opto Corp., representative: WU, CHIEN-JUNG					2,500	100
	Supervisor	Edison Opto Corp., representative: HSU, CHENG-TIEN						
Edison Auto Lighting Corporation	Chairperson	Edison Opto Corp., representative: WU, CHIEN-JUNG					1,000	100
	Supervisor	Edison Opto Corp., representative: HSU, CHENG-TIEN						



## (6) Consolidated financial statements of affiliated companies

2021/12/31 Unit: NT\$1,000

Company	Capital Stock (NT\$)	Total Assets	Total Liabilities	Net worth	Revenue	Operating profit	Profit or loss for the year (After income tax)	Proforma earnings per share (NT\$) (After income tax)
Ledison Opto Corporation	USD 4,500	USD 14,192	USD 0	USD 8,515	USD 0	USD 0	USD 391	-
Edison Opto Corporation	USD 31	USD 552	USD 328	USD 224	USD 0	USD (4)	USD (5)	-
Best Opto Corporation	USD 50,000	USD 51,338	USD 0	USD 42,949	USD 0	USD 0	USD 1,043	-
Best LED Corporation	USD 50,000	USD 51,337	USD 0	USD 42,948	USD 0	USD 0	USD 1,043	-
Edison Opto (Dong Guan) Co., Ltd.	RMB 33,534	RMB 90,468	RMB 36,203	RMB 54,265	RMB 160,316	RMB 3,385	RMB 2,527	-
Yangzhou Edison Opto Corporation	RMB 327,945	RMB 327,405	RMB 53,499	RMB 273,906	RMB 166,475	RMB 2,372	RMB 6,738	-
Yangzhou Aichuang Electronic Trade Corporation	RMB 500	RMB 514	RMB 0	RMB 514	RMB 0	RMB 0	RMB 9	-
Alpha Tree Investment Limited	NTD 250,000	NTD 90,289	NTD 545	NTD 89,744	NTD 0	NTD (81)	NTD 8,647	0.35
Edison Opto USA Corporation	USD 400	USD 2,555	USD 540	USD 2,015	USD 3,482	USD 587	USD 596	-
Edison-Litek Opto Corporation	USD 10,000	USD 8,839	USD 0	USD 8,839	USD 0	USD 0	USD (69)	-
Yangzhou Edison-Litek Opto Corporation	RMB 55,259	RMB 63,269	RMB 14,112	RMB 49,157	RMB 54,715	RMB (616)	RMB (517)	-
Ledionopto Intelligent Technology Co., Ltd	NTD 22,000	NTD 19,750	NTD 66	NTD 19,684	NTD 0	NTD (297)	NTD (4,221)	(1.92)
Edison-Litek Opto Corp.	NTD 140,000	NTD 415,729	NTD 174,886	NTD 240,843	NTD 406,486	NTD 49,528	NTD 37,259	3.61
Edison-Egypt Opto Corporation	NTD 25,000	NTD 42,476	NTD 21,272	NTD 21,204	NTD 60,260	NTD 12,498	NTD 12,432	4.97
Edison Auto Lighting Corporation	NTD 10,000	NTD 11,833	NTD 7,813	NTD 4,020	NTD 9,857	NTD (1,322)	NTD (1,260)	(1.26)

(7) Consolidated financial statements of affiliated companies: Please refer to P. 176–246.

(8) Report of affiliated companies: None.

**2. Private Placement Securities in the Most Recent Years:** None.

**3. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

The company's subsidiary – Radi Young Lighting Co., Ltd. – held 500 thousand shares of the company, which were acquired before 2016. As of October 31, 2021, it carrying amount was 11,800 thousand, and it hasn't been disposed in the most recent year and as of the date of publication of the annual report. Stock not under pledge, the company has not made guarantee/endorsement or lent funds to the subsidiary as of the date of publication of the annual report.

**4. Other supplementary information:** None.

**5. Any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:** None.

**Edison Opto Corporation**  
**Statement of Internal Control System**

Date: February 24, 2022

Based on the findings of a self-assessment, the company states the following with regard to its internal control system during the year 2021:

1. The company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the company takes immediate remedial actions in response to any identified deficiencies.
3. The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. each element includes each item. Please see regulations for the above items.
4. Sysage has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the company's annual report for the year 2021 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed by the board of directors in their meeting held on February 24, 2022, with eight attending directors all affirming the content of this Statement.

Edison Opto Corporation

Chairperson: Jason Wu

President: Jason Wu

**Edison Opto Corporation**  
**Audit Committee's Report**

The Board of Directors has prepared the 2021 Business Report, financial statements and earnings distribution proposal, where the financial statements have been audited by CPAs Heng-Sheng Lin and Bei-Chi Chen from KPMG Taiwan with the Auditor's Report issued. The above report, statements and proposal have been reviewed by the Audit Committee and found to be in conformity. We hereby present the above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your scrutiny.

Sincerely,

The 2022 Regular Shareholders' Meeting of Edison Opto Corporation

Audit Committee

Convener: Wen-Chao Wang

February 25, 2022

## **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

## 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 of 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	%	Amount	%
Assets							
Current assets:							
11xx						21xx	
1100	Cash and cash equivalents (note 6(a))	\$	1,176,003	29	1,249,755	33	\$
1110	Current financial assets at fair value through profit or loss (note 6(b))		1,582	-	-	-	
1170	Accounts and notes receivable, net (note 6(c)(u))		444,266	11	424,578	11	
1200	Other receivables		6,205	-	2,028	-	
1310	Inventories (note 6(f))		316,107	8	265,522	7	
1410	Prepayments		83,152	2	64,526	2	
1470	Other current assets (note 8)		127,268	3	131,671	3	
	Total current assets		2,154,583	53	2,138,080	56	
Non-current assets:							
15xx						25xx	
1510	Non-current financial assets at fair value through profit or loss (note 6(b)(m))		574	-	-	-	
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		-	-	131,960	4	
1535	Non-current financial assets at amortized cost (note 6(d))		8,720	-	-	-	
1600	Property, plant and equipment (notes 6(i), 8 and 9)		1,666,064	41	1,206,246	32	
1755	Right-of-use assets (note 6(j))		67,117	2	79,502	2	
1780	Intangible assets		4,559	-	3,757	-	
1840	Deferred tax assets (note 6(q))		60,488	1	61,753	2	
1915	Prepayments for business facilities (note 9)		22,335	1	5,318	-	
1990	Other non-current assets, others (note 6(i), 8 and 9)		62,313	2	137,637	4	
	Total non-current assets		1,892,170	47	1,626,173	44	
						31xx	
						3100	Capital stock
						3200	Capital surplus
						3310	Legal reserve
						3350	Total unappropriated retained earnings
						3410	Exchange differences on translation of foreign financial statements
						3420	Unrealized gains (loss) on financial assets at fair value through other comprehensive income
						3491	Other equity, unearned compensation
						3500	Treasury shares
							Total equity attributable to owners of parent:
						36xx	Non-controlling interests (note 6(h))
							Total equity
	Total assets	\$	4,046,753	100	3,764,253	100	\$

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

(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										Non-controlling interests	Total equity
	Retained earnings					Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Employees' unrealized reward	Treasury shares	Total equity attributable to owners of parent		
<b>Balance at January 1, 2020</b>	\$ 1,250,014	1,841,558	701	6,313	(289,754)	(198,918)	(45,780)	(19,575)	(58,877)	2,485,682	112,806	2,598,488
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	(701)	-	701	-	-	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	(701)	(6,313)	6,313	-	-	-	-	-	-	-
	-	-	-	(6,313)	7,014	-	-	-	-	-	-	-
Net income	-	-	-	-	42,154	-	28,354	-	-	42,154	(9,331)	32,823
Other comprehensive income	-	-	-	-	6,257	21,893	28,354	-	-	56,504	(253)	56,251
Total comprehensive income	-	-	-	-	48,411	21,893	28,354	-	-	98,658	(9,584)	89,074
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	-	-	-	-	(40,000)	-	-	-	-	(40,000)	-	(40,000)
	-	-	4,841	-	(44,841)	-	-	-	-	(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 by subsidiaries	-	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	-	-	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	78	-	-	-	-	-	-	-	78	(2,548)	(2,470)
Share-based payments	(330)	(13,998)	-	-	-	-	-	-	-	(13,998)	51,130	37,132
Balance at December 31, 2021	\$ 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.

## 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>

(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.

(Continued)

## **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

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

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

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

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

The above financial assets of the Group were not pledged.

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

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

(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	<b>\$ 8,720</b>	<b>-</b>

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

The above financial assets of the Group were not pledged.

- (e) Notes and accounts receivable

	<b>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	(28,156)	(34,265)
	<b>\$ 444,266</b>	<b>424,578</b>

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(Continued)

## 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	<b><u>\$ 28,156</u></b>	<b><u>34,265</u></b>

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
	<b><u>\$ 316,107</u></b>	<b><u>265,522</u></b>

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
	<b><u>\$ 1,595,656</u></b>	<b><u>1,535,866</u></b>

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	<b><u>\$ (13,998)</u></b>

(Continued)

## 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%.

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

- (h) Material non-controlling interests of subsidiaries

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Parentage of non-controlling interests</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
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

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

(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	<b><u>\$ 9,611</u></b>	<b><u>8,986</u></b>
(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	<b><u>\$ 240,844</u></b>	<b><u>173,766</u></b>
Non-controlling interests	<b><u>\$ 51,609</u></b>	<b><u>-</u></b>
	<b>2021</b>	<b>2020</b>
Sales revenue	<b><u>\$ 406,486</u></b>	<b><u>317,398</u></b>
Net income	\$ 37,259	32,445
Other comprehensive income	(614)	680
Comprehensive income	<b><u>\$ 36,645</u></b>	<b><u>33,125</u></b>
Profit, attributable to non-controlling interests	<b><u>\$ 540</u></b>	<b><u>-</u></b>
Comprehensive income, attributable to non-controlling	<b><u>\$ 479</u></b>	<b><u>-</u></b>
	<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	<b><u>\$ 51,415</u></b>	<b><u>15,880</u></b>

(Continued)

# 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:

	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
Cost or decked cost:						
Balance at January 1, 2021	\$ 260,051	815,073	1,229,332	38,871	204,881	2,548,208
Additions	351,073	78,386	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:

	Land	Building and Construction	Machinery equipment	Vehicles	Total
<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><u>\$ 32,276</u></u>	<u><u>59,358</u></u>	<u><u>-</u></u>	<u><u>6,373</u></u>	<u><u>98,007</u></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><u>\$ 32,468</u></u>	<u><u>57,424</u></u>	<u><u>-</u></u>	<u><u>5,821</u></u>	<u><u>95,713</u></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><u>\$ 2,553</u></u>	<u><u>24,366</u></u>	<u><u>-</u></u>	<u><u>3,971</u></u>	<u><u>30,890</u></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><u>\$ 1,712</u></u>	<u><u>12,264</u></u>	<u><u>-</u></u>	<u><u>2,235</u></u>	<u><u>16,211</u></u>
<b>Carrying amount:</b>					
Balance at December 31, 2021	<u><u>\$ 29,723</u></u>	<u><u>34,992</u></u>	<u><u>-</u></u>	<u><u>2,402</u></u>	<u><u>67,117</u></u>
Balance at January 1, 2020	<u><u>\$ 31,106</u></u>	<u><u>18,883</u></u>	<u><u>61</u></u>	<u><u>4,002</u></u>	<u><u>54,052</u></u>
Balance at December 31, 2020	<u><u>\$ 30,756</u></u>	<u><u>45,160</u></u>	<u><u>-</u></u>	<u><u>3,586</u></u>	<u><u>79,502</u></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:

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

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

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

### (l) Long-term borrowings

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

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

### (m) Bonds payable

	December 31, 2021
Total convertible corporate bonds issued	\$ 300,000
Unamortized discounted corporate bonds payable	(14,212)
Cumulative converted amount	(122,200)
Convertible bonds issued balance	<u>\$ 163,588</u>
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<u>\$ 574</u>
Equity components — conversion options (included in capital surplus — share options)	<u>\$ 18,960</u>
	<u>2021</u>
Interest expense	<u>\$ 8,266</u>

(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	(8,635)	(9,536)
	<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:

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

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:

	<b>2021</b>	<b>2020</b>
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	(1,134)	(833)
Fair value of plan assets at December 31	<b><u>\$ 8,635</u></b>	<b><u>9,536</u></b>

4) Expenses recognized in profit or loss

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

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

(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	<b><u>\$ 4,985</u></b>	<b><u>5,345</u></b>

- 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:

	For the years ended December 31,	
	2021	2020
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:

	Allowance for obsolete inventory	Others	Tax deduction	Total
<b>Deferred tax assets :</b>				
January 1, 2021	\$ 3,815	7,584	50,354	61,753
Recognized in profit or loss	(1,271)	(5,269)	5,275	(1,265)
December 31, 2021	<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>

	Equity investment	Others	Total
<b>Deferred tax liabilities :</b>			
January 1, 2021	\$ 2,035	-	2,035
Recognized in profit or loss	(878)	1,303	425
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:

Unutilized business loss							
Year of loss	Edison Opto Corporation	Edison Fund Investment Corporation	Ledionopto Intelligent Technology Corporation	Edison-Egypt Opto Corporation	Edison Auto Lighting Corporation	Total	Expiry year
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	-	4,043	175	-	1,260	5,478	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)	Ordinary shares	
	December 31, 2021	December 31, 2020
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:

	December 31, 2021	December 31, 2020
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>

(Continued)

## **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>

(Continued)

## 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>

(Continued)

# 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:

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

(t) Earnings per share

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

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

(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	Total
Major market							
China	\$	75,504	380,695	290,231	42,023	-	796,012
America and Europe		275,512	-	-	1,352	394,652	804,207
Taiwan		175,394	-	-	-	5,950	182,293
Africa		30,276	-	-	-	-	31,533
Others		266,470	1,537	3,605	-	4,002	291,819
	\$	<b>823,156</b>	<b>382,232</b>	<b>293,836</b>	<b>43,375</b>	<b>404,604</b>	<b>2,105,864</b>
Major product:							
LED transmitter component	\$	36,955	182,337	-	-	-	219,292
LED lighting component		261,668	11,829	230,750	-	-	545,581
LED lighting module and product		494,111	167,938	52,061	-	-	812,993
Automotive LED lighting module	-	-	-	-	42,983	400,602	461,900
Others		30,422	20,128	11,025	392	4,002	66,098
	\$	<b>823,156</b>	<b>382,232</b>	<b>293,836</b>	<b>43,375</b>	<b>404,604</b>	<b>2,105,864</b>
		2020					
		The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Total
Major market							
China	\$	55,139	333,671	269,985	52,706	-	714,930
America and Europe		192,207	-	-	2,583	293,828	591,347
Taiwan		98,395	-	-	-	625	99,593
Africa		154,401	-	-	-	-	172,190
Others		280,150	8,245	336	17	22,182	323,178
	\$	<b>780,292</b>	<b>341,916</b>	<b>270,321</b>	<b>55,306</b>	<b>316,635</b>	<b>1,901,238</b>
Major product:							
LED transmitter component	\$	35,217	189,064	-	-	-	224,281
LED lighting component		269,977	9,111	221,882	-	-	525,671
LED lighting module and product		464,950	141,997	40,098	-	-	733,079
Automotive LED lighting module	-	-	-	-	54,351	316,037	394,249
Others		10,148	1,744	8,341	955	598	23,958
	\$	<b>780,292</b>	<b>341,916</b>	<b>270,321</b>	<b>55,306</b>	<b>316,635</b>	<b>1,901,238</b>

(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><u>\$ 444,266</u></b>	<b><u>424,578</u></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><u>\$ 14,621</u></b>	<b><u>18,922</u></b>

(Continued)

# EDISON OPTO CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(ii) Other income

	For the years ended December 31,	
	2021	2020
Other income-others	\$ 9,535	24,537

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31,	
	2021	2020
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	(12,518)	(2,802)
	\$ (11,303)	5,821

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2021	2020
Interest expenses	\$ 19,945	9,398

(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.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<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)	-
	<b>\$ 1,153,603</b>	<b>(1,212,095)</b>	<b>(662,408)</b>	<b>(20,030)</b>	<b>(32,086)</b>	<b>(251,927)</b>	<b>(245,644)</b>
<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)	-	-	-	-
	<b>\$ 1,013,532</b>	<b>(1,028,340)</b>	<b>(972,319)</b>	<b>(9,204)</b>	<b>(18,051)</b>	<b>(28,766)</b>	<b>-</b>

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.

(Continued)

## EDISON OPTO CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

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

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	<b>\$ 1,637,350</b>	<b>1,582</b>	<b>574</b>	<b>-</b>	<b>2,156</b>
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	<b>\$ 1,153,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Continued)

# EDISON OPTO CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income-securities of unlisted companies	<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	1,676,361	-	-	-	-
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	<u>\$ -</u>
January 1, 2020	\$ 106,631
Total gains and losses recognized:	
In other comprehensive income	25,329
December 31, 2020	<u>\$ 131,960</u>

(Continued)

## 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:

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	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>

(Continued)

## 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.

(Continued)

## **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:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 1,262,690	1,110,591
Less: cash and cash equivalents	(1,176,003)	(1,249,755)
Net debt	<u><u>\$ 86,687</u></u>	<u><u>(139,164)</u></u>
Total equity	\$ 2,784,063	2,653,662
Less: hedging reserve	-	-
Adjusted equity	<u><u>\$ 2,784,063</u></u>	<u><u>2,653,662</u></u>
Debt-to-equity ratio	<u><u>3.17%</u></u>	<u><u>- %</u></u>

(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:

	January 1, 2021	Cash Flows	Non-cash changes				December 31, 2021
			Foreign exchange movement	Changes in lease payments	Discount and premium amortization	Conversion options	
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	<u><u>\$ 533,497</u></u>	<u><u>320,070</u></u>	<u><u>1,181</u></u>	<u><u>10,858</u></u>	<u><u>(17,212)</u></u>	<u><u>(122,200)</u></u>	<u><u>726,194</u></u>

(Continued)

# 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:

Name of related party	Relationship with the Group
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:

Pledged assets	Object	December 31, 2021	December 31, 2020
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:

	December 31, 2021	December 31, 2020
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 (Note 1)	475,525 (Note 1)
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 (Note 1)	97,868 (Note 1)

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	NO	Financial assets measured at amortized cost-current	-	8,720	- %	8,720	- %	
Edison Fund Investment Corporation	International Bonds 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 Communication Co., Ltd. RMB structured deposits of Bank of communications-RMB financial product (exchange rate and binary option related)	Current financial assets at fair value through profit or loss	Bank of Communication Co., Ltd.	-	-	-	-	364,896 (RMB84,000 thousand)	-	365,361 (RMB84,107 thousand)	364,896	465	-	-

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

(c) Others

- 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						
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination
Revenues:							
Revenue from external \$ customers	823,156	382,232	293,836	43,375	404,604	158,661	-
Intersegment revenues	136,158	312,866	427,965	193,858	1,882	8,908	(1,081,637)
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>
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							
		Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 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.

Geographical information	2021	2020
Revenue from external customers:		
China	\$ 804,786	875,252
Taiwan	1,007,155	548,850
Other countries	72	179
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.

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

## Independent Auditors' Report

To the Board of Directors of Edison Opto Corporation:

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Description of key audit matter:

#### 1. Impairment evaluation of accounts receivable

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

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

## 2. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2022

#### **Notes to Readers**

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

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

## Balance Sheets

(Expressed in Thousands of New Taiwan Dollar)

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

**EDISON OPTO CORPORATION**

**Statements of Comprehensive Income**

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

**(Expressed in Thousands of New Taiwan Dollar , Except Earnings Per Share)**

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (note 6(s) and 7)</b>	\$ 959,314	100	917,985	100
5000	<b>Operating costs (note 6(e)(h)(i)(m) and 7)</b>	788,442	82	808,998	88
5900	<b>Gross profit from operations</b>	170,872	18	108,987	12
5910	Unrealized profit (loss) from sales (note 7)	(581)	-	(2,451)	-
5950	<b>Gross profit from operations, net</b>	170,291	18	106,536	12
	<b>Operating expenses (note 6(h)(i)(k)(m)(n)(q)):</b>				
6100	Selling expenses	48,870	5	37,193	4
6200	Administrative expenses	76,236	8	54,750	6
6300	Research and development expenses	29,227	3	30,750	3
6450	Expected credit loss(reversed) (note 6(c))	(361)	-	154	-
	<b>Total operating expenses</b>	153,972	16	122,847	13
6900	<b>Net operating income (loss)</b>	16,319	2	(16,311)	(1)
	<b>Non-operating income and expenses (note 6(g)(l)(u) and 7):</b>				
7100	Total interest income	733	-	1,799	-
7010	Other income	20,931	2	42,040	5
7020	Other gains and losses, net	2,984	-	6,369	1
7050	Finance costs, net	(13,317)	(1)	(4,024)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	94,298	10	12,281	1
	<b>Total non-operating income and expenses</b>	105,629	11	58,465	7
7900	<b>Profit from continuing operations before tax</b>	121,948	13	42,154	6
7950	Less: Income tax expenses (note 6(o))	1,690	-	-	-
	<b>Profit</b>	120,258	13	42,154	6
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	360	-	6,257	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(p))	(134,814)	(14)	28,354	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(134,454)	(14)	34,611	4
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(6,583)	(1)	21,893	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(6,583)	(1)	21,893	2
8300	<b>Other comprehensive income (loss)</b>	(141,037)	(15)	56,504	6
8500	<b>Total comprehensive income (loss)</b>	\$ (20,779)	(2)	98,658	12
	<b>Earnings per share (note 6(r))</b>				
9750	<b>Basic earnings per share</b>	\$ 1.00		0.35	
9850	<b>Diluted earnings per share</b>	\$ 0.95		0.35	

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	Retained earnings					Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings (Unappropriated retained earnings)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
							Employees unrealized reward	Treasury shares	Total equity	
\$	1,250,014	1,841,558	701	6,313	(289,754)	(198,918)	(45,780)	(19,575)	(58,877)	2,485,682
Balance at January 1, 2020										
Appropriation and distribution of retained earnings:										
	-	-	(701)	-	701	-	-	-	-	-
Legal reserve used to offset accumulated deficits	-	-	-	(6,313)	6,313	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	(282,740)	-	-	282,740	-	-	-	-	-
Reversal of special reserve	-	(12,300)	-	-	-	-	-	-	-	(12,300)
Cash dividends from capital surplus	-	(295,040)	(701)	(6,313)	289,754	-	-	-	-	(12,300)
Net income	-	-	-	-	42,154	-	-	-	-	42,154
Other comprehensive income	-	-	-	-	6,257	21,893	28,354	-	-	56,504
Total comprehensive income	-	-	-	-	48,411	21,893	28,354	-	-	98,658
Other changes in capital surplus:										
Purchase of treasury share	-	-	-	-	-	-	-	-	(19,832)	(19,832)
Retirement of treasury share	(16,180)	(3,652)	-	-	-	-	-	-	19,832	-
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(3,025)	(3,025)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	51	-	-	-	-	-	-	-	51
Changes in ownership interests in subsidiaries	-	14,381	-	-	-	-	-	-	-	14,381
Share-based payments	(8,270)	(3,721)	-	-	-	-	-	13,197	-	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
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	4,841	-	(4,841)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(40,000)	-	-	-	-	(40,000)
Net income	-	-	-	-	(44,841)	-	-	-	-	(40,000)
Other comprehensive income	-	-	-	-	120,258	-	-	-	-	120,258
Total comprehensive income	-	-	-	-	360	(6,583)	(134,814)	-	-	(141,037)
Other changes in capital surplus:										
Due to recognition of equity component of convertible bonds (preference share) issued	-	31,990	-	-	-	-	-	-	-	31,990
Conversion of convertible bonds	63,383	47,381	-	-	-	-	-	-	-	110,764
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	2,854	2,854
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	159	-	-	-	-	-	-	-	159
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	78	-	-	-	-	-	-	-	78
Changes in ownership interests in subsidiaries	-	(13,998)	-	-	-	-	-	-	-	(13,998)
Share-based payments	(330)	(149)	-	-	-	-	-	5,001	-	4,522
Balance at December 31, 2021	1,288,617	1,619,038	4,841	-	124,188	(183,608)	(152,240)	(1,377)	(59,048)	2,640,411

See accompanying notes to consolidated financial statements.

## EDISON OPTO CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

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

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

**EDISON OPTO CORPORATION**

**Notes to the Financial Statements**

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

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

**(1) Company history**

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

## **EDISON OPTO CORPORATION**

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

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

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

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

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

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

(Continued)

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

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses are recognized in profit or loss.

(Continued)



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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Compound financial instruments

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

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

(Continued)

## **EDISON OPTO CORPORATION**

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

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

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

#### **5) Financial liabilities**

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

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

#### **6) Derecognition of financial liabilities**

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

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

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

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

#### **(g) Inventories**

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

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

(h) Investment in subsidiary

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(Continued)

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

(Continued)

## **EDISON OPTO CORPORATION**

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

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

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

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

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

(ii) As a lessor

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

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

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

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

(iii) Amortization

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

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

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Revenue from contracts with customers

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

(Continued)



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

(i) Sale of goods

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

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

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

(ii) Financing components

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

(n) Government grant

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)



## **EDISON OPTO CORPORATION**

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

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

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

(iii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

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

(q) Income taxes

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

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

(Continued)

## **EDISON OPTO CORPORATION**

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

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

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

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

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

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

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

(r) **Earnings per share**

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

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# EDISON OPTO CORPORATION

## Notes to the Financial Statements

(s) Segment information

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

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

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

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

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

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

(a) The loss allowance of trade receivable

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

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

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

(a) Cash and cash equivalents

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

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

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

(Continued)

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

(b) Financial assets measured at cost

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

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

(c) Notes and accounts receivable

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

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

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

(Continued)

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

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

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

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

Note and account receivables of the Company were not pledged.

(d) Other receivables

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

Other receivables of the Company were not pledged.

(Continued)

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

(e) Inventories

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

The details of the cost of sales were as follows:

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

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

(f) Investments accounted for using equity method

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

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

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

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

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

The effect of changes in shareholdings was as follows:

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

(Continued)

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

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

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

(h) Property, plant and equipment

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

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

(Continued)

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

(i) Guarantee

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

(ii) Prepaid payments for land and buildings

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

(i) Right-of-use asset

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

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

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

(Continued)



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

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

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

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

(k) Long-term borrowings

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

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

(l) Bonds payable

	December 31, 2021
Total convertible corporate bonds issued	\$ 300,000
Unamortized discounted corporate bonds payable	(14,212)
Cumulative converted amount	(122,200)
Convertible bonds issued balance	<u>\$ 163,588</u>
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<u>\$ 574</u>
Equity components—conversion options (included in capital surplus—share options)	<u>\$ 18,960</u>
	2021
Interest expense	<u>\$ 8,266</u>

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%

(Continued)

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

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

(Continued)

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

(m) Lease liabilities

The Company's finance lease liabilities was as follows :

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

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

The amounts recognized in profit or loss were as follows:

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

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

	2021	2020
Total cash outflow for leases	\$ 4,351	2,963

(i) Real estate leases

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

(ii) Other leases

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

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

(Continued)

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

(n) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

(Continued)

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

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

(Continued)

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

6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

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

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

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

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

(ii) Defined contribution plans

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

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

(Continued)

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

(o) Income taxes

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

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

(Continued)

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

2) Unrecognized deferred tax assets

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

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

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

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

3) Recognized deferred tax assets and liabilities

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

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

(Continued)



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

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

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

(iii) Assessment of tax

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

(p) Capital and other equity

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

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

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

(i) Ordinary shares

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

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

(Continued)

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

(ii) Capital surplus

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

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

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

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

(iii) Retained earnings

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

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

(Continued)

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

(iv) Treasury shares

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

(v) OCI accumulated in reserves, net of tax

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

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

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

(Continued)

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

(q) Share-based payment

(i) Restricted stock

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

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

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

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

- (ii) Expense recognized in profit or loss

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

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

(Continued)

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

(r) Earnings per share

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

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

(s) Revenue from contracts with customers

(i) Revenue detail

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

(Continued)

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

(ii) Contract balances

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

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

(t) Remuneration to employees, directors

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

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

(Continued)

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

(ii) Other income

The details of other income were as follows:

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

(iv) Finance costs

The details of finance costs were as follows:

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

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(Continued)



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

3) Receivable

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

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

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

(ii) Liquidity risk

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

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

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

### (iii) Currency risk

#### 1) Exposure to foreign currency risk

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

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

#### 2) Sensitivity analysis

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

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

#### 3) Foreign exchange gain and loss on monetary items

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

(Continued)

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

(iv) Interest rate analysis

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

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

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

(v) Fair value of financial instruments

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

(w) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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## **EDISON OPTO CORPORATION**

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

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

#### **(iii) Credit risk**

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

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

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

#### **(iv) Liquidity risk**

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

#### **(v) Market risk**

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

##### **1) Currency risk**

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

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

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## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

The Company do not use derivative financial assets for hedging.

2) Interest rate risk

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

3) Other market price risk

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

(x) Capital management

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

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

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

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

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

(y) Investing activities not affecting current cash flow

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

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

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

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

(a) Parent company and ultimate controlling company

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

(b) Names and relationship with related parties

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

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

(Continued)

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

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

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

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

(c) Significant transactions with related parties

(i) Sale

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

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

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

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

(Continued)

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

(ii) Purchases

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

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

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

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

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

(iii) Property transactions

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

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

(iv) Guarantee

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

(v) Other

1) Manager service revenue

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

(Continued)



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

2) Rental revenue

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

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

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

(vi) Receivables from Related Parties

The receivables from related parties were as follows:

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

(Continued)

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

(vii) Payables to Related Parties

The payables to related parties were as follows:

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

(viii) Guarantee

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

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

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

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

Note: please refer to note 11 for details.

(Continued)

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

**(9) Commitments and contingencies:**

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

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

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

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

**(11) Subsequent Events:**

Please refer to note 9 for details.

**(12) Other:**

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

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

(Continued)

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

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

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

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

(a) Principles of compensation policies

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

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

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

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

### (13) Other disclosures:

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

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

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## EDISON OPTO CORPORATION

### Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Taiwan Tech. Square 17F	2020.11	536,000	107,571	Telink Construction Group	Non-related				-	Appraisal of real estate	Group operating demand	None

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

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

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

Note 1: As of February 15, 2021.

- (ix) Trading in derivative instruments: None

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Edison Opto Corporation	Samoa	Selling of LED components and modules	1,041	1,041	30	100.00%	6,204	(140)	(140)	
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00%	229,348	10,957	10,425	
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,550,826	1,550,826	50,000	100.00%	1,177,189	29,214	27,249	
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	655,000	25,000	100.00%	77,945	8,647	8,488	
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58%	109,074	(1,948)	(868)	
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	64,500	48,900	11,000	78.57%	189,903	37,259	36,712	
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	47,940	2,500	100.00%	21,204	12,432	12,432	
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,550,826	1,550,826	50,000	100.00%	1,188,816	29,214	29,214	
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00%	30,679	16,710	9,191	
Edison Fund Investment Corporation	Ledionopto Intelligent Technology Corporation	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00%	19,684	(4,221)	(4,221)	
Edison Fund Investment Corporation	Davinci Opto Corporation	Taiwan	Selling of LED components and modules	-	5,000	-	- %	-	-	-	Note 1
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	5,100	1,000	100.00%	4,020	(1,260)	(1,221)	
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	33,187	3,463	28.06%	68,654	(1,948)	(547)	

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

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

(Continued)

# EDISON OPTO CORPORATION

## Notes to the Financial Statements

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

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

(a) Direct investment from Mainland China

(b) Indirect investment from third-party country

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

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

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

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

(c) Others

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

Note 2: The dissolution has registered in 2020.

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

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,829,895 (USD58,817 thousand)	1,654,434 (note 3) (USD59,770 thousand)	Note 1
Ledionopto Intelligent Technology Corporation	52,255 (note 2) (USD1,714 thousand)	47,444 (USD1,714 thousand)	-

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

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

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

(Continued)



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

(iii) Significant transactions:

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

(d) Major shareholders:

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

**(14) Segment information:**

Please refer to 2021 consolidated financial report.

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Edison Opto Corporation

Chairperson: Jason Wu