

**EDISON OPTO CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 17F, No. 17, Qiaohe Rd., Zhonghe Dist., New Taipei City
Telephone: (02)8227-6996

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

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Representation Letter

The entities that are required to be included in the combined financial statements of EDISON OPTO CORPORATION as of and for the year ended December 31, 2022 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: March 9, 2023



安侯建業聯合會計師事務所
KPMG

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

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2022 and 2021 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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, 2022, 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, modules and products. Operating Revenue is the main indicator for the management of Edison Group and investor to evaluate the financial and business performance of Edison Group. Therefore, it has been identified as a key audit matter.

Our principal audit procedures included:

- Evaluate the Group’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 2022 and 2021, 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Group 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)
March 9, 2023

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.

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021			
		Amount	%	Amount	%		
Assets						Liabilities and Equity	
Current assets:						Current liabilities:	
11xx	Cash and cash equivalents (note 6(a))	\$ 1,154,337	30	1,176,003	29	21xx	Short-term borrowings (notes 6(l) and 8)
1100	Current financial assets at fair value through profit or loss (note 6(b))	4,400	-	1,582	-	2100	Accounts and notes payable
1110	Accounts and notes receivable, net (notes 6(c)(v))	431,024	11	444,266	11	2170	Other payables (note 6(w))
1170	Other receivables (notes 6(f) and 9)	1,459	-	6,205	-	2200	Current tax liabilities
1200	Inventories (note 6(g))	297,723	8	316,107	8	2230	Current lease liabilities (note 6(o))
1310	Prepayments	65,133	2	83,152	2	2280	Long-term borrowings within one year (notes 6(m) and 8)
1410	Other current assets (note 8)	23,367	-	127,268	3	2322	Other current liabilities, others
1470	Total current assets	1,977,443	51	2,154,583	53	2399	Total current liabilities
Non-current assets:						25xx	Non-current liabilities:
15xx	Non-current financial assets at fair value through profit or loss (notes 6(b)(n))	16	-	574	-	2530	Bonds payable (notes 6(n) and 8)
1510	Non-current financial assets at fair value through other comprehensive income (note 6(c))	2,453	-	-	-	2540	Long-term borrowings (notes 6(m) and 8)
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	8,711	-	8,720	-	2570	Deferred tax liabilities (note 6(r))
1535	Non-current financial assets at amortized cost (note 6(d))	1,671,722	44	1,666,064	41	2580	Non-current lease liabilities (note 6(o))
1600	Property, plant and equipment (notes 6(j), 8 and 9)	55,496	1	67,117	2	2600	Other non-current liabilities (notes 6(p)(q))
1755	Right-of-use assets (note 6(k))	2,793	-	4,559	-		Total non-current liabilities
1780	Intangible assets	59,430	2	60,488	1		Total liabilities
1840	Deferred tax assets (note 6(r))	29,327	1	22,335	1	31xx	Equity attributable to owners of parent (notes 6(c)(s)(t)):
1915	Prepayments for business facilities	25,865	1	62,313	2		Share capital:
1990	Other non-current assets, others (notes 8 and 9)	1,855,813	49	1,892,170	47	3110	Ordinary share
	Total non-current assets					3200	Capital surplus
						3310	Legal reserve
						3320	Special reserve
						3350	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(i))
							Total equity
	Total assets	\$ 3,833,256	100	\$ 4,046,753	100		Total liabilities and equity

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EDISON OPTO CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(g)(j)(k)(r))	\$ 1,841,983	100	2,105,864	100
5000	Operating costs (notes 6(g)(j)(k)(r))	<u>1,379,419</u>	<u>75</u>	<u>1,595,656</u>	<u>76</u>
	Gross profit from operations	<u>462,564</u>	<u>25</u>	<u>510,208</u>	<u>24</u>
	Operating expenses (notes 6(e)(j)(k)(o)(q)(t)(w)):				
6100	Selling expenses	124,876	7	103,834	5
6200	Administrative expenses	173,715	9	160,495	7
6300	Research and development expenses	115,059	6	101,865	5
6450	Expected impairment loss (reversed)	<u>5,353</u>	<u>-</u>	<u>(6,059)</u>	<u>-</u>
	Total operating expenses	<u>419,003</u>	<u>22</u>	<u>360,135</u>	<u>17</u>
6900	Net operating income	<u>43,561</u>	<u>3</u>	<u>150,073</u>	<u>7</u>
	Non-operating income and expenses (notes 6(l)(m)(n)(o)(p)(x)):				
7100	Interest income	15,040	1	14,621	1
7010	Other income	12,881	1	9,535	-
7020	Other gain and losses	(2,774)	(1)	(11,303)	-
7050	Finance costs	(17,183)	(1)	(19,945)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method (note 6(c))	<u>(582)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total non-operating income and expenses	<u>7,382</u>	<u>-</u>	<u>(7,092)</u>	<u>-</u>
7900	Profit from continuing operations before tax	50,943	3	142,981	7
7950	Less: Income tax expenses (note 6(r))	<u>17,100</u>	<u>1</u>	<u>15,236</u>	<u>1</u>
	Profit	<u>33,843</u>	<u>2</u>	<u>127,745</u>	<u>6</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	877	-	360	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))	2,521	-	(134,814)	(7)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>3,398</u>	<u>-</u>	<u>(134,454)</u>	<u>(7)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	33,610	2	(7,841)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>33,610</u>	<u>2</u>	<u>(7,841)</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>37,008</u>	<u>2</u>	<u>(142,295)</u>	<u>(7)</u>
8500	Total comprehensive income (loss)	<u><u>70,851</u></u>	<u><u>4</u></u>	<u><u>(14,550)</u></u>	<u><u>(1)</u></u>
	Profit (loss), attributable to:				
8610	Attributable to owners of parent	25,648	1	120,258	6
8620	Attributable to non-controlling interests	<u>8,195</u>	<u>1</u>	<u>7,487</u>	<u>-</u>
		<u><u>33,843</u></u>	<u><u>2</u></u>	<u><u>127,745</u></u>	<u><u>6</u></u>
	Comprehensive income (loss) attributable to:				
8710	Attributable to owners of parent	57,617	3	(20,779)	(1)
8720	Attributable to non-controlling interests	<u>13,234</u>	<u>1</u>	<u>6,229</u>	<u>-</u>
		<u><u>\$ 70,851</u></u>	<u><u>4</u></u>	<u><u>(14,550)</u></u>	<u><u>(1)</u></u>
	Earnings per share (note 6(u))				
9750	Basic earnings per share	<u><u>\$ 0.20</u></u>		<u><u>0.95</u></u>	
9850	Diluted earnings per share	<u><u>\$ 0.19</u></u>		<u><u>0.91</u></u>	

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent									
	Retained earnings			Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Employees' unrealized reward	Treasury shares	Total equity attributable to owners of parent
Balance at January 1, 2021	\$ 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	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:	-	-	-	-	120,258	-	-	-	-	120,258
Due to recognition of equity component of convertible bonds issued	-	-	-	-	560	(6,583)	(134,814)	-	-	(141,037)
Conversion of convertible bonds	-	-	-	-	-	(6,583)	(134,814)	-	-	(141,037)
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	31,990	-	-	-	-	-	-	-	31,990
Difference between consideration and carrying amount of subsidiaries acquired or disposed	63,383	47,381	-	-	-	-	-	-	-	110,764
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
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
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	(330)	(149)	-	-	-	-	-	5,001	-	(13,998)
Special reserve appropriated	-	-	-	-	-	-	-	-	-	-
Net income	-	-	12,062	-	(12,062)	-	-	-	-	-
Other comprehensive income	-	-	-	-	(112,126)	-	-	-	-	(112,126)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-
Changes of associates and joint ventures accounted for using the equity method	-	292	-	-	-	-	-	-	-	292
Stock dividends from capital surplus	65,000	(65,000)	-	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(35,000)	-	-	-	-	-	-	-	(35,000)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(24,847)	(24,847)
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	(2,521)	(2,521)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	139	-	-	-	-	-	-	-	139
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Expiration of restricted employee stocks	(264)	(119)	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income or loss	-	-	-	-	(149,719)	-	149,719	-	-	-
Balance at December 31, 2022	\$ 1,353,353	1,519,350	16,903	112,126	(123,194)	(155,037)	-	-	(86,416)	2,637,085
										2,782,499

See accompanying notes to consolidated financial statements.

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 50,943	142,981
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	130,170	121,970
Amortization expense	2,150	2,344
Expect impairment loss (reversed)	5,353	(6,059)
Net loss (gain) on financial assets at fair value through profit or loss	2,688	(6,295)
Interest expense	17,183	19,945
Interest income	(15,040)	(14,621)
Share-based payments	994	4,522
Share of loss of associates and joint ventures accounted for using the equity method	582	-
Loss (gain) on disposal of property, plant and equipment	2,406	(2,972)
Gain on disposal of other assets	-	(22)
Loss on disposal of investments	857	-
Total adjustments to reconcile profit	147,343	118,812
Changes in operating assets and liabilities:		
Accounts and notes receivable	3,365	(13,579)
Other receivables	4,554	(4,006)
Inventories	18,384	(50,585)
Prepayments	19,768	(14,161)
Other current assets	(6,571)	61
Other operating assets	427	(37)
Accounts and notes payable	(74,694)	(54,293)
Other payable	15,095	4,685
Other current liabilities	(9,716)	12,650
Net defined benefit liability	566	488
Total changes in operating assets and liabilities	(28,822)	(118,777)
Cash inflow generated from (used in) operations	169,464	143,016
Interest received	15,241	14,226
Interest paid	(10,320)	(11,705)
Income taxes	(11,558)	(18,539)
Net cash flows from operating activities	162,827	126,998
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(8,788)
Acquisition of financial assets at fair value through profit or loss	(7,155)	(51,916)
Proceeds from disposal of financial assets at fair value through profit or loss	2,207	56,629
Acquisition of investments accounted for using the equity method	(3,600)	-
Acquisition of property, plant and equipment	(63,759)	(462,728)
Proceeds from disposal of property, plant and equipment	4,062	4,216
Decrease (increase) in refundable deposits	2,031	(1,700)
Acquisition of intangible assets	(294)	(2,372)
Increase in other financial assets	(2,339)	-
Decrease in restricted deposits	117,246	4,342
Decrease (increase) in other non-current assets	4,315	(31,501)
Increase in prepayments for business facilities	(28,077)	(21,938)
Net cash flows from (used in) investing activities	24,637	(515,756)
Cash flows from (used in) financing activities:		
Increase in short-term loans	257,544	1,423,571
Decrease in short-term loans	(384,542)	(1,692,986)
Proceeds from issuing bonds	-	297,503
Proceeds from long-term debt	-	321,600
Repayments of long-term debt	(16,080)	(14,740)
Increase (decrease) in guarantee deposits received	(3,412)	3,402
Payment of lease liabilities	(17,152)	(14,059)
Cash dividends paid	(34,861)	(39,841)
Payments to acquire treasury shares	(24,847)	-
Acquisition of ownership interests in subsidiaries	-	(2,470)
Change in non-controlling interests	(11,472)	34,140
Net cash flows from (used in) financing activities	(234,822)	316,120
Effect of exchange rate changes on cash and cash equivalents	25,692	(1,114)
Net decrease in cash and cash equivalents	(21,666)	(73,752)
Cash and cash equivalents at beginning of period	1,176,003	1,249,755
Cash and cash equivalents at end of period	\$ 1,154,337	1,176,003

See accompanying notes to consolidated financial statements

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

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(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 17F, No.17, Qiao he Rd., Zhong He Dist., New Taipei City, Taiwan. The Company’s shares were listed on the Taiwan Stock Exchange in November 2010. 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 23, 2023.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- 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”

(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 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(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.

- (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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2022	December 31, 2021
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	Business of opto-electronics	78.57 %	78.57 %
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 %
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 %	100.00 %
Edison Fund Investment Corporation	Ledionopto intelligent Technology Co., Ltd. (note 2)	Business of opto-electronics	100.00 %	100.00 %
Edison-Litek Opto Corporation Limited	Yangzhou Edison-Litek Opto Corporation	Business of optoelectronics	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, 2022	December 31, 2021
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited (note 1)	Investment	28.06 %	28.06 %

Note 1: The Company and Edison-Litek Opto Corp. directly and indirectly, respectively, held 66.63% shares of Edison-Litek Opto Corp. Ltd. in total.

Note 2: 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.

(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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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 with original maturities of three months to less than one year 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.

(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.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) 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.

(k) 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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the 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.

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

(m) 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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(n) 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.

(i) 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.

(ii) The average credit term for sale of goods is 60 days to 120 days. It is consistent with industry practice. so it does not contain financing element.

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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(iii) 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

(o) 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.

(p) 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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES

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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.

(q) 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.

(r) 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.

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.

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

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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.
- (s) 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.

- (t) Operating segments

An operating segment is a component of the Group 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 Group). Operating results of the operating segment are regularly reviewed by the Group'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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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(x).

(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(e).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	\$ 4,071	5,917
Demand Deposit	673,866	848,656
Time Deposit	476,400	321,430
	<u>\$ 1,154,337</u>	<u>1,176,003</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(y) for interest rate risk and sensitive analysis of financial assets and financial liabilities for the Group.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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(b) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Current financial assets at fair value through profit or loss:		
Listed common shares — domestic companies	\$ <u>4,400</u>	<u>1,582</u>
Non-current financial assets at fair value through profit or loss		
Convertible corporate bonds - call options	\$ <u>16</u>	<u>574</u>

The above financial assets of the Group were not pledged.

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

	December 31, 2022	December 31, 2021
Unlisted common shares—Foreign Company – LEDLitek Co., Ltd.	\$ <u>-</u>	<u>-</u>
Unlisted common shares—Domestic Company – Taiwan Hydroxyl Technology Co., Ltd.	\$ <u>2,453</u>	<u>-</u>

The Group has designated these investments in equity instruments should be measured at fair value through other comprehensive income, because they are long-term strategic investments and are not held for trading purposes.

The Group acquired 26.09% shares of Taiwan Hydroxyl Technology Co., Ltd. for \$3,600 thousand in March 2022, which was accounted for as an investment accounted for using the equity method. However, Taiwan Hydroxyl Technology Co., Ltd. increased its capital by a total of \$15,600 thousand in April, May and December 2022. Wherein the Group did not subscribe for shares, resulting in a decrease in the shareholding ratio to 12.50%, which were transferred to financial assets at fair value through other comprehensive income.

The Group's original investment holding 15.39% of the common stock of LEDLitek Co., Ltd. in Korea, is recorded under financial assets at fair value through other comprehensive income. As of December 31, 2021, the Group recognized a cumulative valuation loss of \$149,719 thousand due to the significant operating loss of LEDLitek Co., Ltd. LEDLitek Co., Ltd. was reorganized in 2021 and the Group obtained a ruling from a Korean Court to complete the bankruptcy reorganization process in November 2022. After the reorganization, the Group's shareholding in LEDLitek Co., Ltd. was 0%. Therefore, the Group reclassified the unrealized valuation loss of \$149,719 thousand recorded in other equity - investments in equity instruments at fair value through other comprehensive income to retained earnings for the year. The Group did not receive any notice from LEDLitek Co., Ltd. during the aforementioned reorganization period regarding the reduction or elimination of the Group's shareholding in LEDLitek Co., Ltd. the Group has only received a final Court ruling and has proceeded to investigate the legality of the share cancellation of the LEDLitek Co., Ltd. reorganization, and has taken procedures to protect the Group's interests. It is expected that there will be no significant impact on the Group's financial and business performance.

The above financial assets of the Group were not pledged.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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- (d) Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Government international bonds	<u><u>\$ 8,711</u></u>	<u><u>8,720</u></u>

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

The above financial assets of the Group were not pledged.

- (e) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 21,837	10,856
Accounts receivable	429,011	450,951
Less: Loss allowance	<u>(19,824)</u>	<u>(17,541)</u>
	<u><u>\$ 431,024</u></u>	<u><u>444,266</u></u>

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:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 426,332	0.003%	13
1 to 30 days past due	539	3.89%	21
31 to 90 days past due	4,584	9.21%	422
91 to 180 days past due	28	10.71%	3
Past due over 180 days	<u>19,365</u>	100%	<u>19,365</u>
	<u><u>\$ 450,848</u></u>		<u><u>19,824</u></u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
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>
	<u>\$ 461,807</u>		<u>17,541</u>

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

	2022	2021
Balance at January 1	\$ 17,541	32,238
Impairment losses recognized (reversed)	2,277	(14,647)
Net income (losses) on foreign exchange	<u>6</u>	<u>(50)</u>
Balance at December 31	<u>\$ 19,824</u>	<u>17,541</u>

Note and account receivables of the Group were not pledged.

(f) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 33,231	16,820
Less: Loss allowance	<u>(31,772)</u>	<u>(10,615)</u>
Total	<u>\$ 1,459</u>	<u>6,205</u>

Other receivables of the Group were not pledged as collateral.

(g) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 132,852	122,107
Supplies	3,537	3,232
Work in progress	78,035	88,945
Finished goods	<u>83,299</u>	<u>101,823</u>
	<u>\$ 297,723</u>	<u>316,107</u>

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The details of the cost of sales were as follows:

	2022	2021
Inventory that has been sold	\$ 1,331,321	1,559,677
Write-down of inventories (gain on reversal)	(6,609)	(10,275)
Unallocated production overheads	<u>54,707</u>	<u>46,254</u>
	<u>\$ 1,379,419</u>	<u>1,595,656</u>

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

(h) 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:

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

(i) Subsidiaries with material non-controlling interests

Subsidiaries	Main operation place	Parentage of non-controlling interests	
		December 31, 2022	December 31, 2021
Edison-Litek Opto Corporation Limited	Hong Kong	27.36 %	27.36 %
Edison-Litek Opto Corporation	Taiwan	21.43 %	21.43 %

The following information on the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustments made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

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

	December 31, 2022	December 31, 2021
Current assets	\$ 215,892	221,137
Non-current assets	80,837	85,002
Current liabilities	(61,672)	(61,467)
Net assets	<u>\$ 235,057</u>	<u>244,672</u>
Non-controlling interests	<u>\$ 64,312</u>	<u>66,943</u>
	2022	2021
Sales revenue	<u>\$ 238,389</u>	<u>237,233</u>
Net loss	\$ (16,226)	(1,947)
Other comprehensive income	6,612	(2,186)
Total Comprehensive income	<u>\$ (9,614)</u>	<u>(4,133)</u>
Profit, attributable to non-controlling interests	<u>\$ (4,439)</u>	<u>(553)</u>
Comprehensive income, attributable to non-controlling	<u>\$ (2,630)</u>	<u>(1,131)</u>
	2022	2021
Net cash flows from operating activities	\$ 1,716	10,382
Net cash flows from investing activities	11,650	13,540
Net cash flows from financing activities	(17,877)	(17,175)
Effect of exchange rate changes on cash and cash equivalents	(11,073)	2,864
Net increase (decrease) in cash and cash equivalents	<u>\$ (15,584)</u>	<u>9,611</u>

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

	December 31, 2022	December 31, 2021
Current assets	\$ 248,691	304,942
Non-current assets	132,803	110,788
Current liabilities	(128,099)	(174,886)
Non-current liabilities	(670)	-
Net assets	<u>\$ 252,725</u>	<u>240,844</u>
Non-controlling interests	<u>\$ 54,155</u>	<u>51,609</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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	2022	2021
Sales revenue	\$ <u>384,035</u>	<u>406,486</u>
Net income	\$ 38,025	37,259
Other comprehensive income	1,855	(614)
Total comprehensive income	\$ <u>39,880</u>	<u>36,645</u>
Profit, attributable to non-controlling interests	\$ <u>8,148</u>	<u>540</u>
Comprehensive income, attributable to non-controlling	\$ <u>8,546</u>	<u>479</u>
	2022	2021
Net cash flows from operating activities	\$ 58,266	33,477
Net cash flows from investing activities	(32,225)	(29,023)
Net cash flows from financing activities	(86,312)	46,961
Net decrease in cash and cash equivalents	\$ <u>(60,271)</u>	<u>51,415</u>

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
Cost or decked cost:						
Balance at January 1, 2022	\$ 637,862	967,691	1,174,362	38,482	207,140	3,025,537
Additions	-	30,588	23,700	-	9,471	63,759
Disposal	-	-	(41,213)	(5,564)	(3,574)	(50,351)
Reclassify	-	29,303	19,128	-	204	48,635
Effect of movements in exchange rates	-	9,597	13,913	635	3,363	27,508
Balance at December 31, 2022	\$ <u>637,862</u>	<u>1,037,179</u>	<u>1,189,890</u>	<u>33,553</u>	<u>216,604</u>	<u>3,115,088</u>
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>
Depreciation and impairments						
loss:						
Balance at January 1, 2022	\$ -	256,692	995,494	32,918	74,369	1,359,473
Depreciation	-	36,060	61,610	2,131	12,761	112,562
Disposal	-	-	(35,682)	(4,985)	(3,216)	(43,883)
Effect of movements in exchange rates	-	2,317	10,663	473	1,761	15,214
Balance at December 31, 2022	\$ <u>-</u>	<u>295,069</u>	<u>1,032,085</u>	<u>30,537</u>	<u>85,675</u>	<u>1,443,366</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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	Land	Building and construction	Machinery and equipment	Molding equipment	Other facilities	Total
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>
Carrying amounts:						
Balance at December 31, 2022	<u>\$ 637,862</u>	<u>742,110</u>	<u>157,805</u>	<u>3,016</u>	<u>130,929</u>	<u>1,671,722</u>
Balance at January 1, 2021	<u>\$ 260,051</u>	<u>584,029</u>	<u>214,897</u>	<u>7,907</u>	<u>139,362</u>	<u>1,206,246</u>
Balance at 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>

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.

(k) Right-of-use assets

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

	Land	Building and Construction	Vehicles	Total
Cost:				
Balance at January 1, 2022	\$ 32,276	59,358	6,373	98,007
Additions	-	3,742	1,248	4,990
Disposals	-	(735)	(817)	(1,552)
Effect of changes in foreign exchange rates	519	889	-	1,408
Balance at December 31, 2022	<u>\$ 32,795</u>	<u>63,254</u>	<u>6,804</u>	<u>102,853</u>
Balance at January 1, 2021	\$ 32,468	57,424	5,821	95,713
Additions	-	3,874	1,134	5,008
Disposals	-	(1,612)	(582)	(2,194)
Effect of changes in foreign exchange rates	(192)	(328)	-	(520)
Balance at December 31, 2021	<u>\$ 32,276</u>	<u>59,358</u>	<u>6,373</u>	<u>98,007</u>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 2,553	24,366	3,971	30,890
Depreciation	865	14,743	2,000	17,608
Disposals	-	(735)	(817)	(1,552)
Effect of changes in foreign exchange rates	41	370	-	411
Balance at December 31, 2022	<u>\$ 3,459</u>	<u>38,744</u>	<u>5,154</u>	<u>47,357</u>
Balance at January 1, 2021	\$ 1,712	12,264	2,235	16,211
Depreciation	852	13,723	1,882	16,457
Disposals	-	(1,544)	(146)	(1,690)
Effect of changes in foreign exchange rates	(11)	(77)	-	(88)
Balance at December 31, 2021	<u>\$ 2,553</u>	<u>24,366</u>	<u>3,971</u>	<u>30,890</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ 29,336</u>	<u>24,510</u>	<u>1,650</u>	<u>55,496</u>
Balance at January 1, 2021	<u>\$ 30,756</u>	<u>45,160</u>	<u>3,586</u>	<u>79,502</u>
Balance at December 31, 2021	<u>\$ 29,723</u>	<u>34,992</u>	<u>2,402</u>	<u>67,117</u>

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(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Secured bank loans	\$ 30,710	145,005
Unsecured bank loans	61,420	69,451
Total	\$ 92,130	214,456
Unused short-term credit lines	\$ 1,517,015	1,437,822
Range of interest rates	5.22%~5.35%	0.155%~1.0358%

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.

(m) Long-term borrowings

December 31, 2022				
	Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	1.1963%~ 1.8996%	2041	\$ 290,780
Less: due within one year				(16,080)
Total				\$ 274,700

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				\$ 290,780

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

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(n) Bonds payable

	December 31, 2022	December 31, 2021
Total convertible corporate bonds issued	\$ 300,000	300,000
Less: Unamortized discounted corporate bonds payable	(7,538)	(14,212)
Cumulative converted amount	(122,200)	(122,200)
Convertible bonds issued balance	<u>\$ 170,262</u>	<u>163,588</u>
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<u>\$ 16</u>	<u>574</u>
Equity components — conversion options (included in capital surplus — share options)	<u>\$ 18,960</u>	<u>18,960</u>
	2022	2021
Interest expense	<u>\$ 6,674</u>	<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%
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>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Items</u>	<u>Third secured domestic convertible bonds</u>
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>(1) 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> <p>(2) The company announced on August 8th 2022 that due to the allotment of cash dividends and stock dividends on the ordinary shares, the conversion price has been adjusted from NTD 17.9 since August 30th 2022.</p>
10. Pledge	For the collateral for bonds payable, please refer to note 8.

(o) Lease liability

The carrying values of the lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u>12,291</u>	<u>16,117</u>
Non-current	\$ <u>17,522</u>	<u>25,173</u>

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>4,747</u>	<u>6,316</u>
Expenses relating to short-term leases	\$ <u>1,168</u>	<u>1,296</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>352</u>	<u>282</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2022	2021
Total cash outflow for leases	\$ 23,419	21,953

(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 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.

(p) 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, 2022 and 2021 the amount of unamortized deferred revenue was \$28,151 thousand and \$28,523thousand, respectively.

(q) Employee benefits

(i) Defined benefit plans

The reconciliation of defined benefit obligation at present value and plant asset at fair value are as follows:

	For the years ended December 31,	
	2022	2021
Present value of the defined benefit obligations	\$ 20,804	20,345
Fair value of plan assets	(9,405)	(8,635)
Net defined benefit liabilities	\$ 11,399	11,710

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 \$9,405 thousand as of December 31, 2022. 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 Group were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 20,345	21,118
Current service costs and interest cost	631	624
Re-measurements of the net defined benefit liability	(172)	(263)
Payment of benefit obligation	<u>-</u>	<u>(1,134)</u>
Defined benefit obligations at December 31	<u><u>\$ 20,804</u></u>	<u><u>20,345</u></u>

3) Movements of defined benefit plan assets

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 8,635	9,536
Interest income	705	73
Re-measurements of the net defined benefit liability	65	97
Contributed to plan	-	63
Payment of benefit obligation	<u>-</u>	<u>(1,134)</u>
Fair value of plan assets at December 31	<u><u>\$ 9,405</u></u>	<u><u>8,635</u></u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 478	466
Net interest of net liabilities (assets) for defined benefit	<u>88</u>	<u>85</u>
	<u>\$ 566</u>	<u>551</u>
Operating cost	\$ 77	119
Operating expenses	<u>489</u>	<u>432</u>
	<u>\$ 566</u>	<u>551</u>

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:

	<u>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ 4,985	5,345
Recognized during the period	<u>(877)</u>	<u>(360)</u>
Accumulated amount at December 31	<u>\$ 4,108</u>	<u>4,985</u>

6) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750 %	0.750 %
Future salary increase rate	2.500 %	2.500 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$708 thousand.

The weighted-average lifetime of the defined benefits plans is 14.21 years.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

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

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2022		
Discount rate (movement of 0.25%)	(565)	586
Future salary increasing rate (movement of 0.25%)	570	(533)
December 31, 2021		
Discount rate (movement of 0.25%)	(614)	635
Future salary increasing rate (movement of 0.25%)	608	(596)

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 2022 and 2021.

(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 consolidated subsidiary implements the method of determining the withdrawal of retirement funds, appropriate pensions in accordance with local laws, and recognizes the pensions each period as current expenses.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Income taxes

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

	For the years ended December 31,	
	2022	2021
Current tax expense		
Current period	15,494	13,546
Adjustment of current income tax for the previous period	-	-
Occurrences and reversal of temporary differences	(7,804)	7,897
Change in unrecognized deductible temporary differences	9,410	(932)
Recognition of unrecognized tax loss in prior periods	-	(5,275)
Income tax expense	<u>17,100</u>	<u>15,236</u>

Reconciliation of income tax and income before tax in 2022 and 2021, was as follows:

	2022	2021
Gain before income tax	<u>\$ 50,943</u>	<u>142,981</u>
Income tax using subsidiaries tax rate	\$ 10,190	28,596
Effect of tax rate in foreign jurisdiction	(224)	(1,273)
Tax-exempt income	(26,692)	(12,084)
Unrecognized tax loss	33,377	9,161
Changes in unrecognized temporary differences	(1,126)	(10,188)
Others	<u>1,575</u>	<u>1,024</u>
Total	<u>\$ 17,100</u>	<u>15,236</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 2022 and 2021. 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:

	December 31, 2022	December 31, 2021
Aggregated amount of temporary differences related to investment subsidiaries	<u>\$ 107,196</u>	<u>103,895</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Unrecognized deferred tax assets

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

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	\$ 88,894	86,210
Unrecognized tax loss	711,652	544,770
	<u>\$ 800,546</u>	<u>630,980</u>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Allowance for obsolete inventory	Others	Tax deduction	Total
Deferred tax assets :				
January 1, 2022	\$ 2,544	2,315	55,629	60,488
Recognized in profit or loss	(936)	1,857	(1,979)	(1,058)
December 31, 2022	<u>\$ 1,608</u>	<u>4,172</u>	<u>53,650</u>	<u>59,430</u>
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>
	Equity investment	Others	Total	
Deferred tax liabilities :				
January 1, 2022	\$ 1,157	1,303	2,460	
Recognized in profit or loss	672	(124)	548	
December 31, 2022	<u>\$ 1,829</u>	<u>1,179</u>	<u>3,008</u>	
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>	

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 4) As at December 31, 2022, 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	71,468	-	4,454	-	-	75,922	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	-	-	185,324	2028
2019	28,818	66,135	316	-	63	95,332	2029
2020	-	171	53,303	3,422	4,692	61,588	2030
2021	-	4,041	240	-	925	5,206	2031
2022	30,444	143,618	-	-	-	174,062	2032
	<u>\$ 437,175</u>	<u>421,629</u>	<u>111,997</u>	<u>3,422</u>	<u>5,680</u>	<u>979,903</u>	

(iii) Assessment of tax

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

(s) Capital and other equity

As of December 31, 2022 and 2021, 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, 2022 and 2021, 135,335 thousand and 128,862 thousand of ordinary shares were issued, respectively. All issued shares were paid up upon issuance.

	Ordinary shares	
	December 31, 2022	December 31, 2021
(in thousands of shares)		
Balance on January 1	128,862	122,556
Capital surplus transferred to ordinary shares	6,500	-
Converting corporate bonds	-	6,339
Retirement of restricted stocks	(27)	(33)
Balance on December 31	<u>135,335</u>	<u>128,862</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Issuance and cancellation of ordinary shares

The Company resolved at the shareholders' meeting on June 22, 2022, to increase capital by \$65,000 thousand by issuing 6,500 thousand shares from capital surplus, with August 30, 2022, as the base date for the capital increase. The relevant legal registration procedures have been completed.

The Company cancelled 27 thousand and 33 thousand new restricted stocks in July 2022 and 2021, respectively. All the statutory registration procedures above had been completed as of the reporting date.

The secured domestic convertible bonds issued by the Company were converted into 5 thousand shares, 5,679 thousand shares and 655 thousand shares of ordinary shares in the 2nd, 3rd and 4th quarters of 2021, respectively, upon the exercise of the conversion rights by the bondholders. The above legal registration procedures have been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium on issuance of capital stock	\$ 1,400,567	1,500,428
Employee share options	72,142	72,142
Difference arising from subsidiary's share price and its carrying value	461	461
Restricted stock	26,928	27,047
Changes in net equity of related companies accounted for using the equity method	292	-
Conversion options	18,960	18,960
	<u>\$ 1,519,350</u>	<u>1,619,038</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares 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 ordinary shares outstanding.

A resolution was approved during the shareholders' meeting held on June 22, 2022 to distribute the cash dividend of \$35,000 thousand by using the capital surplus. Each share could receive a cash dividend of \$0.27808294 from the capital reserve. Also, 6,500 thousand shares amounting to \$65,000 thousand will be distributed as stock dividend, and each thousand shares could receive a stock dividend of 51.6439 shares from the capital reserve.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 ordinary shares 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.

3) Earnings distribution

A resolution was approved during the shareholders' meeting held on June 22, 2022. After listing the legal reserve and the special reserve in accordance with the law, there were no earnings distribution left. 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.

(iv) Treasury shares

- 1) From September to October, 2022, the Company repurchased a total of 1,500 thousand shares of treasury stock, at the amount of \$24,847 thousand, for the purpose of motivating employees and enhancing their morale, in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2022, the total number of untransferred treasury stock was 4,500 thousand shares.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) Ledionopto Intelligent Technology Corporation, sub-subsidiary of the Company, held 526 thousand shares of the Company's treasury share. As of December 31, 2022, all treasury shares were not sold. The market price on December 31, 2022 and 2021, were \$15.65 and \$23.60 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, 2022	\$ (183,608)	(152,240)	(1,377)	(337,225)
Share-based payment	-	-	994	994
Exchange differences on foreign operations	\$ 28,571	-	-	28,571
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	2,521	-	2,521
Restrict employee rights stock failure	-	-	383	383
Disposal of equity instruments designed at fair value through other comprehensive income	-	149,719	-	149,719
Balance at December 31, 2022	<u>\$ (155,037)</u>	<u>-</u>	<u>-</u>	<u>(155,037)</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, 2021	\$ (177,025)	(17,426)	(6,378)	(200,829)
Share-based payment	-	-	4,522	4,522
Restrict employee rights stock failure	-	-	479	479
Exchange differences on foreign operations	(6,583)	-	-	(6,583)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(134,814)	-	(134,814)
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

(t) 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 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.

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

	For the years ended	
	December 31,	
	2022	2021
Outstanding at January 1 (number)	\$ 570	1,173
Granted during the year (number)	(544)	(570)
Forfeited during the year (number)	(26)	(33)
Outstanding at December 31 (number)	<u>\$ -</u>	<u>570</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 2022 and 2021 as follows:

	For the years ended December 31,	
	2022	2021
Expenses resulting from restricted employee stocks options	\$ <u>994</u>	<u>4,522</u>

- (u) Earnings per share

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

	For the years ended December 31,	
	2022	2021
Basic earnings per share		
Profit of the Company for the year	\$ <u>25,648</u>	<u>120,258</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>131,149</u>	<u>127,037</u>
Basic earnings per share (in New Taiwan Dollars)	\$ <u>0.20</u>	<u>0.95</u>
Diluted earnings per share		
Profit of the Company for the year	\$ 25,648	120,258
Effect of dilutive potential ordinary share (note)	-	6,613
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinary share)	\$ <u>25,648</u>	<u>126,871</u>
Weighted average number of ordinary shares (in thousands of shares)	131,149	127,037
Effect of employee share bonus (in thousands of shares)	148	296
Effect of convertible bonds (in thousands of shares) (note)	-	11,965
Effect of restricted employee shares unrested (in thousands of shares)	285	871
Weighted average number of ordinary shares (in thousands of shares)	<u>131,582</u>	<u>140,169</u>
Diluted earnings per share (in New Taiwan Dollars)	\$ <u>0.19</u>	<u>0.91</u>

Note: The effect of convertible bonds would have been anti-dilutive if included in the calculation of the Group's diluted earnings per share in fiscal 2022, and was therefore not included in the calculation of diluted earnings per share.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Revenue from contracts with customers

(i) Revenue detail

		2022						
		The Company	Edison Opto (Dong Guan) Co., Ltd	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison- Litek Opto Corporation	Other	Total
Major market:								
China	\$	72,738	194,890	232,775	84,047	-	2,966	587,416
America and Europe		309,437	4,427	-	804	367,479	110,320	792,467
Taiwan		199,638	5,582	-	-	7,429	7,859	220,508
Africa		29,039	-	-	-	-	-	29,039
Others		187,119	8,598	3,872	-	5,395	7,569	212,553
	\$	797,971	213,497	236,647	84,851	380,303	128,714	1,841,983
Major product:								
LED transmitter component	\$	17,994	117,115	-	-	-	-	135,109
LED lighting component		209,084	3,654	166,403	-	-	18,515	397,656
LED lighting module and product		569,750	90,159	68,007	-	-	94,779	822,695
Automotive LED lighting module		-	-	-	83,701	373,529	-	457,230
Others		1,143	2,569	2,237	1,150	6,774	15,420	29,293
	\$	797,971	213,497	236,647	84,851	380,303	128,714	1,841,983
		2021						
		The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Other	Total
Major market								
China	\$	75,504	380,695	290,231	42,023	-	7,559	796,012
America and Europe		275,512	-	-	1,352	394,652	132,691	804,207
Taiwan		175,394	-	-	-	5,950	949	182,293
Africa		30,276	-	-	-	-	1,257	31,533
Others		266,470	1,537	3,605	-	4,002	16,205	291,819
	\$	823,156	382,232	293,836	43,375	404,604	158,661	2,105,864
Major product:								
LED transmitter component	\$	36,955	182,337	-	-	-	-	219,292
LED lighting component		261,668	11,829	230,750	-	-	41,334	545,581
LED lighting module and product		494,111	167,938	52,061	-	-	98,883	812,993
Automotive LED lighting module		-	-	-	42,983	400,602	18,315	461,900
Others		30,422	20,128	11,025	392	4,002	129	66,098
	\$	823,156	382,232	293,836	43,375	404,604	158,661	2,105,864

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
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(ii) Contract balances

	December 31, 2022	December 31, 2021
Note receivables	\$ 21,837	10,856
Accounts receivables	429,011	450,951
Less: Loss allowance	(19,824)	(17,541)
Total	\$ 431,024	444,266

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

(w) 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, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$1,500 thousand and \$6,500 thousand, respectively; as well as its remuneration to directors amounting to \$300 thousand and \$1,500 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 2022 and 2021. The related information can be accessed from the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 6,613	7,304
Other interest income	8,427	7,317
	\$ 15,040	14,621

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
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(ii) Other income

	For the years ended December 31,	
	2022	2021
Other income-others	\$ 12,881	9,535

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31,	
	2022	2021
Net gains (losses) on disposal of Property, plant, and equipment	\$ (2,406)	2,972
Net gains (losses) on financial assets at fair value	(2,688)	6,295
Net gains (losses) on foreign exchange	27,858	(8,052)
Others	(25,538)	(12,518)
	\$ (2,774)	(11,303)

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2022	2021
Interest expenses	17,183	19,945

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

3) Receivable

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022							
Non-derivative financial liabilities							
Secured short and long term loans	\$ 321,490	(353,138)	(40,514)	(9,725)	(19,278)	(56,679)	(226,943)
Unsecured short term loans	61,420	(61,947)	(61,947)	-	-	-	-
Lease liabilities	29,813	(34,824)	(8,767)	(6,617)	(12,140)	(7,300)	-
Notes payable and accounts payable	240,920	(240,920)	(240,920)	-	-	-	-
Other payable	127,078	(127,078)	(127,078)	-	-	-	-
Bonds payable	170,262	(177,800)	-	-	(177,800)	-	-
	<u>\$ 950,983</u>	<u>(995,707)</u>	<u>(479,226)</u>	<u>(16,342)</u>	<u>(209,218)</u>	<u>(63,979)</u>	<u>(226,943)</u>
December 31, 2021							
Non-derivative financial liabilities							
Secured short and long term loans	\$ 451,865	(487,200)	(155,018)	(9,812)	(19,470)	(57,256)	(245,644)
Unsecured short term loans	69,451	(69,605)	(69,605)	-	-	-	-
Lease liabilities	41,290	(50,081)	(10,376)	(10,218)	(12,616)	(16,871)	-
Notes payable and accounts payable	315,614	(315,614)	(315,614)	-	-	-	-
Other payable	111,795	(111,795)	(111,795)	-	-	-	-
Bonds payable	163,588	(177,800)	-	-	-	(177,800)	-
	<u>\$ 1,153,603</u>	<u>(1,212,095)</u>	<u>(662,408)</u>	<u>(20,030)</u>	<u>(32,086)</u>	<u>(251,927)</u>	<u>(245,644)</u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
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(iii) Currency risk

1) Exposure to foreign currency risk

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

December 31, 2022				December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	10,710 USD/TWD=	30.710	328,904	11,161 USD/TWD=	27.68	308,936
USD		4,416 USD/CNY=	6.9646	135,631	10,264 USD/CNY=	6.3757	284,272
CNY		68,409 CNY/TWD=	4.4100	301,681	31,420 CNY/TWD=	4.3440	136,488
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		9,228 USD/TWD=	30.710	283,392	15,932 USD/TWD=	27.68	440,988
USD		570 USD/CNY=	6.9646	17,507	2,709 USD/CNY=	6.3757	75,029

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, 2022 and 2021 would have increased (decreased) the equity by \$23,266 thousand and \$10,684 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 Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended December 31, 2022 and 2021, foreign exchange loss (including realized and unrealized portions) amounted to \$27,858 thousand and \$(8,052) thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 Group management's assessment of the reasonably possible interest rate change.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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If the interest rate had increased / decreased by 50 basis points, the Group's net loss would have increased / decreased by \$1,915 thousand and \$2,607 thousand for the year ended December 31, 2022 and 2021, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) 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, 2022				
	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	\$ 4,400	4,400	-	-	4,400
Financial assets at fair value through profit or loss-non current-Embedded derivative of convertible bonds	\$ 16	-	16	-	16
Financial assets at fair value through other comprehensive income	\$ 2,453	-	-	2,453	2,453
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,154,337	-	-	-	-
Notes and trade receivables	431,024	-	-	-	-
Other receivables	1,459	-	-	-	-
Corporate bonds	8,711	-	-	-	-
Subtotal	1,595,531	-	-	-	-
Total	<u>\$ 1,602,400</u>	<u>4,400</u>	<u>16</u>	<u>2,453</u>	<u>6,869</u>
Financial liabilities at amortized cost					
Short-term bank loans	\$ 92,130	-	-	-	-
Long-term bank loans (including due within one year)	290,780	-	-	-	-
Notes and trade payables	240,920	-	-	-	-
Other payables	127,078	-	-	-	-
Bonds payable	170,262	-	-	-	-
Lease liabilities	29,813	-	-	-	-
Total	<u>\$ 950,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

2) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
January 1, 2022	\$ -
Purchase	2,453
December 31, 2022(the beginning period)	<u>\$ 2,453</u>
January 1, 2021	\$ 131,960
Total gains and losses recognized:	
In other comprehensive income	(131,960)
December 31, 2021	<u>\$ -</u>

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021, 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,	
		2022	2021
Total gains and losses recognized:			
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”		-	(131,960)
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"> · equity ratio multiple · Discount for lack of marketability · Discount of control 	<ul style="list-style-type: none"> · The higher multiple, the higher the fair value · The higher the discount for lack of marketability, the lower the fair value · The higher the discount of control, the lower the fair value

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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- 4) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Group 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
December 31, 2022				
Financial assets fair value through other comprehensive income	1.20	1%	25	(25)
December 31, 2021				
Financial assets fair value through other comprehensive income	1.76	1%	219	(219)

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.

(z) Financial risk management

(i) Overview

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

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

The following likewise discusses the Group'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 Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

As the Group 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 Group finance department. As a result of the Group'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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group'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
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(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 Group'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 Group is exposed to currency risk on sales, purchases, and borrowings. The functional currency of the Group is dominated by TWD and also has USD and CNY. The main currency of the transaction is TWD, USD and CNY.

The Group 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 Group 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 Group do not use derivative financial assets for hedging.

2) Interest rate risk

The borrowing of the Group 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 Group do not hedge through interest rate swap contracts.

3) Other market price risk

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

(aa) 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, 2022 and 2021, were as follows:

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Notes to the Consolidated Financial Statements

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,050,757	1,262,690
Less: cash and cash equivalents	(1,154,337)	(1,176,003)
Net debt	<u>\$ (103,580)</u>	<u>86,687</u>
Total equity	\$ 2,782,499	2,784,063
Less: hedging reserve	-	-
Adjusted equity	<u>\$ 2,782,499</u>	<u>2,784,063</u>
Debt-to-equity ratio	<u>- %</u>	<u>3.11 %</u>

(ab) 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, 2022 and 2021, were as follows:

	January 1, 2022	Cash Flows	Foreign exchange movement	Non-cash changes Changes in lease payments	Discount and premium amortization	December 31, 2022
Short-term borrowings	\$ 214,456	(126,998)	4,672	-	-	92,130
Lease liabilities	41,290	(17,152)	688	4,987	-	29,813
Long-term borrowings (including current portion)	306,860	(16,080)	-	-	-	290,780
Bonds payable	163,588	-	-	-	6,674	170,262
Total liabilities from financing activities	<u>\$ 726,194</u>	<u>(160,230)</u>	<u>5,360</u>	<u>4,987</u>	<u>6,674</u>	<u>582,985</u>

	January 1, 2021	Cash Flows	Foreign exchange movement	Non-cash changes Changes in lease payments	Discount and premium amortization	Conversion options	December 31, 2021
Short-term borrowings	\$ 482,352	(269,415)	1,519	-	-	-	214,456
Lease liabilities	51,145	(14,059)	(338)	4,542	-	-	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>\$ 533,497</u>	<u>326,386</u>	<u>1,181</u>	<u>4,542</u>	<u>(17,212)</u>	<u>(122,200)</u>	<u>726,194</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

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(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,	
	2022	2021
Short-term employee benefits	\$ 32,519	30,445
Post employment benefits	696	766
Share-based payments	453	1,554
	\$ 33,668	32,765

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Deposits (classified under other current assets)	The guarantee letter of credit	\$ -	12,259
Deposits (classified under other current assets)	Tender deposit (note)	-	20,000
Notes receivable (classified under other current assets)	Bank Acceptance	4,410	-
Deposits (classified under other current assets)	Short-term loans	10,000	94,987
Deposits (classified under other non-current assets)	Deposit to customs	6,061	10,376
Property, plant, and equipment	Guarantee of Corporate Bonds	197,428	199,931
Property, plant, and equipment	Long-term loans	525,996	529,083
		\$ 743,895	866,636

note: please refer to note 9 for further explanations.

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Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

- (a) The Group unrecognized contractual commitments are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	\$ <u>39,939</u>	<u>32,639</u>

- (b) The Company obtained the tender for the "Tainan City LED Street Light Replacement Project, District 3" in May 2021, and provided a deposit of \$20,000 thousand as a performance guarantee under "other current assets" in accordance with the agreement between the parties. In November 2021, the Company received a letter from the Public Works Bureau of Tainan City Government ("Works Bureau") to terminate the aforementioned contract, and in January of 2022, the Works Bureau forfeited the aforementioned security deposit and recovered the tender bond of \$5,000 thousand. During to period from 2021 to 2022, the Company filed objections, complaints and representations to the Works Bureau, and therefore transferred the aforementioned security deposit to "other receivables". In 2022, the Company has filed with the Works Bureau to resolve the performance dispute and other relief procedures. However, the Works Bureau expressed its opinion on the non-reimbursement of the deposit and argued that the additional costs incurred for the termination of the contract amounted to the total amount of the deposit and the tender bond, so it proposed a mediation plan to forfeit the performance deposit and return the tender bond. The Company's opinion on this matter is that the Works Bureau has not been harmed by the re-tendering of the contract after the termination of the contract. As of December 31, 2022, the Company is still following the relevant law process such as mediation of performance disputes and other remedial procedures.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

By item	For the years ended December 31,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	141,465	176,359	317,824	154,798	156,642	311,440
Labor and health insurance	9,675	11,210	20,885	8,975	10,728	19,703
Pension	8,928	8,967	17,895	11,821	8,497	20,318
Directors' remuneration	-	1,674	1,674	-	2,457	2,457
Others	15,423	10,233	25,656	16,183	8,955	25,138
Depreciation	88,320	41,850	130,170	89,617	32,353	121,970
Amortization	5	2,145	2,150	52	2,292	2,344

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EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated 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 Group:

(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 (Note 3)	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	Edison-litek Opto Corporation Limited	Edison-litek Opto Corporation	Other receivables due from related parties	Yes	35,437 (USD1,100 thousand)	33,781 (USD1,100 thousand)	-	1%	2	-	Short-term financing	-	-	-	47,011 (Note1)	94,023 (Note1)
2	Yangzhou Edison Opto Corporation	Edison-Opto (Dong Guan) Co., Ltd.	Other receivable due from related parties	Yes	45,084 (CNY10,000 thousand)	44,100 (CNY10,000 thousand)	-	1%	2	-	Short-term financing	-	-	-	192,665 (Note1)	385,331 (Note1)

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

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

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

(1) Loan arrangement for business transaction

(2) Short-term financing purpose

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

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

(iii) Securities held as of December 31, 2022 (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	Taipei Fubon Bank-Qatar Government International Bonds	NO	Financial assets measured at amortized cost- non-current	-	8,711	- %	8,711	- %	
Edison Fund Investment Corporation	Taiwan Hydroxyl Technology Co., Ltd	NO	Financial assets through other fair value measurements- non-current	300	2,453	12.50 %	2,453	26.09 %	
Edison Fund Investment Corporation	AUO Corporation	NO	Current financial assets at fair value through profit or loss	160	2,400	- %	2,400	- %	
Edison Fund Investment Corporation	Innolux Corporation	NO	Current financial assets at fair value through profit or loss	181	2,000	- %	2,000	- %	

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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. - structured deposits - RMB financial product (Gold and binary-three-segment structure)	Current financial assets at fair value through profit or loss	"	"	-	-	-	595,344 (RMB135,000 thousand)	-	599,495 (RMB135,941 thousand)	595,344	4,151	-	-
Yangzhou Edison Opto Corporation	Bank of Communications Co., Ltd. - structured deposits - RMB financial product (Exchange rate and binary structure)	Current financial assets at fair value through profit or loss	"	"	-	-	-	1,353,856 (RMB307,000 thousand)	-	1,355,660 (RMB307,409 thousand)	1,353,856	1,804	-	-
Yangzhou Edison-Litek Opto Corporation	Bank of Communications Co., Ltd. - structured deposits - RMB financial product (Exchange rate and binary structure)	Current financial assets at fair value through profit or loss	"	"	-	-	-	401,306 (RMB91,000 thousand)	-	401,826 (RMB91,118 thousand)	401,306	520	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: 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/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	234,990	50.09 %	60 days	No significant difference	-	27,438	31.48 %	
The Company	Edison Opto (Dong Guan) Co., Ltd.	Subsidiary	Purchase	234,990	32.25 %	60 days	No significant difference	-	27,438	22.47 %	
Yangzhou Edison Opto Corporation	The Company	Parents	Sales	337,453	55.46 %	60 days	No significant difference	-	46,072	41.90 %	
The Company	Yangzhou Edison Opto Corporation	Subsidiary	Purchase	337,453	46.32 %	60 days	No significant difference	-	46,072	37.74 %	
Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Associated	Sales	153,540	64.41 %	60 days	No significant difference	-	26,163	37.05 %	
Edison-Litek Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Associated	Purchase	153,540	58.17 %	60 days	No significant difference	-	26,163	50.44 %	

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Yangzhou Edison Opto Limited Company	1	Sales	46,929	60 days	2.55%
0	The Company	Edison Opto (Dong Guan) Limited Company	1	Sales	60,626	60 days	3.29%
0	The Company	Edison Opto USA Corporation	1	Sales	53,686	60 days	2.91%
0	The Company	Edison- Opto USA Corpotation	1	Accounts receivable	9,235	60 days	0.24%
1	Yangzhou Edison Opto Limited Company	The Company	2	Sales	337,453	60 days	18.32%
1	Yangzhou Edison Opto Limited Company	The Company	2	Accounts receivable	46,072	60 days	1.20%
1	Yangzhou Edison Opto Limited Company	Edison-Egypt Opto Corporation	3	Sales	21,571	60 days	1.17%
2	Edison Opto (Dong Guan) Limited Company	Edison Auto Lighting Corporation	3	Sales	16,282	60 days	0.88%
2	Edison Opto (Dong Guan) Limited Company	Edison Auto Lighting Corporation	3	Accounts receivable	5,082	60 days	0.13%
2	Edison Opto (Dong Guan) Limited Company	The Company	2	Sales	234,990	60 days	12.76%
2	Edison Opto (Dong Guan) Limited Company	The Company	2	Accounts receivable	27,438	60 days	0.71%
3	Yangzhou Edison Litek Opto Limited Company	Edison Litek Opto Corporation	3	Sales	153,540	60 days	8.34%
3	Yangzhou Edison Litek Opto Limited Company	Edison Litek Opto Corporation	3	Accounts receivable	26,163	60 days	0.68%
4	Edison Auto Lighting Corporation	The Company	2	Sales	15,456	60 days	0.84%
4	Edison Auto Lighting Corporation	The Company	2	Accounts receivable	2,318	60 days	0.06%

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.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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 %	10,345	100.00 %	3,360	3,360	
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	236,204	100.00 %	3,300	1,355	-
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,277,226	1,550,826	41,000	100.00 %	953,391	100.00 %	31,956	29,968	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	686,000	25,000	100.00 %	83,004	100.00 %	1,311	1,172	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	44.58 %	104,787	44.58 %	(16,225)	(7,233)	-
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	64,500	64,500	11,000	78.57 %	198,629	78.57 %	38,025	29,268	-
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	25,000	2,500	100.00 %	26,047	100.00 %	4,843	4,843	-
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,277,226	1,550,826	41,000	100.00 %	963,331	100.00 %	31,965	31,965	-
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	32,931	55.00 %	9,969	5,483	-
Edison Fund Investment Corporation	Ledionopto Intelligent Technology Corporation	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	16,212	100.00 %	99	99	-
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	7,570	1,000	100.00 %	4,154	100.00 %	134	134	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	33,187	33,187	3,463	28.06 %	65,957	28.06 %	(16,225)	(4,553)	-

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	USD 145,991 (4,500 thousand)	(b)	USD 111,408 (3,317 thousand)	-	-	USD 111,408 (3,317 thousand)	USD 3,303 (111 thousand)	100.00%	100.00 %	USD 3,303 (111 thousand)	USD 242,578 (7,899 thousand)	USD 34,583 (1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	(b)	USD 52,255 (1,714 thousand)	-	-	USD 52,255 (1,714 thousand)	-	- %	- %	-	-	-

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated 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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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							
Yangzhou Edison Opto Corporation	Manufacturing and selling of LED components and modules	USD 1,277,226 (41,000 thousand)	(b)	USD 1,550,826 (50,000 thousand)	-	273,600 (USD 9,000 thousand)	USD 1,277,226 (41,000 thousand)	USD 31,964 (1,072 thousand)	100.00%	100.00 %	USD 31,964 (1,072 thousand)	USD 963,327 (31,369 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	RMB 2,148 (500 thousand)	(c)	-	-	-	-	41 (RMB 9 thousand)	100.00%	100.00 %	41 (RMB 9 thousand)	RMB 2,308 (523 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	USD 270,552 (8,875 thousand)	(b)	USD 167,661 (5,500 thousand)	-	-	USD 167,661 (5,500 thousand)	USD (5,810) (195 thousand)	66.63%	66.63 %	(3,871) (USD 130 thousand)	USD 140,450 (4,574 thousand)	-

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

(a) Direct investment from Mainland China

(b) Indirect investment from third-party country

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

(c) Others

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

Note 2: The dissolution has registered in 2020.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,556,295 (USD49,817 thousand)	1,559,147 (note 3) (USD50,770 thousand)	Note 1
Ledionopto Intelligent Technology Corporation	52,255 (note 2) (USD1,714 thousand)	52,637 (USD1,714 thousand)	-

Note 1: Since the Company acquired the permission from Industrial Development Bureau at August 25, 2022, 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: 11120426210).

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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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		17,411,388	12.86 %

(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 Group 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 Group'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 Group.

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

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group operating segment information and reconciliation are as follows:

	For the years ended December 31, 2022							
	<u>The Company</u>	<u>Edison Opto (Dong Guan) Co., Ltd.</u>	<u>Yangzhou Edison Opto Corporation</u>	<u>Yangzhou Edison-Litek Opto Corporation</u>	<u>Edison-Litek Opto Corporation</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenues:								
Revenue from external customers	\$ 797,971	213,497	236,647	84,851	380,303	128,714	-	1,841,983
Intersegment revenues	<u>110,390</u>	<u>255,682</u>	<u>371,807</u>	<u>153,539</u>	<u>3,732</u>	<u>15,456</u>	<u>(910,606)</u>	<u>-</u>
Total revenue	<u>\$ 908,361</u>	<u>469,179</u>	<u>608,454</u>	<u>238,390</u>	<u>384,035</u>	<u>144,170</u>	<u>(910,606)</u>	<u>1,841,983</u>
Reportable segment profit or loss	<u>\$ 27,254</u>	<u>3,592</u>	<u>31,955</u>	<u>(5,810)</u>	<u>47,631</u>	<u>30,566</u>	<u>(84,254)</u>	<u>50,934</u>
	For the years ended December 31, 2021							
	<u>The Company</u>	<u>Edison Opto (Dong Guan) Co., Ltd.</u>	<u>Yangzhou Edison Opto Corporation</u>	<u>Yangzhou Edison-Litek Opto Corporation</u>	<u>Edison-Litek Opto Corporation</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenues:								
Revenue from external customers	\$ 823,156	382,232	293,836	43,375	404,604	158,661	-	2,105,864
Intersegment revenues	<u>136,158</u>	<u>272,924</u>	<u>404,456</u>	<u>193,858</u>	<u>1,882</u>	<u>8,908</u>	<u>(1,018,186)</u>	<u>-</u>
Total revenue	<u>\$ 959,314</u>	<u>655,156</u>	<u>698,292</u>	<u>237,233</u>	<u>406,486</u>	<u>167,569</u>	<u>(1,018,186)</u>	<u>2,105,864</u>
Reportable segment profit or loss	<u>\$ 121,948</u>	<u>9,381</u>	<u>28,566</u>	<u>(1,947)</u>	<u>46,352</u>	<u>33,792</u>	<u>(95,111)</u>	<u>142,981</u>

Note: The eliminated amount among reportable segments for the year ended December 31, 2022 and 2021 were \$967,496 and \$1,081,637 respectively.

(c) Product and service information

For revenue from the external customers of the Group please refer to note 6(v).

(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(v) and segment assets are based on the geographical location of the assets.

Geographical information	December 31, 2022	December 31, 2021
Non-current assets:		
China	\$ 748,440	804,786
Taiwan	1,030,082	1,007,155
Other countries	620	72
Total	<u>\$ 1,779,142</u>	<u>1,812,013</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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Major customers

As of December 31, 2022 and 2021, the customer contributing 10% or higher of the Group's revenue.

	2022	2021
Customer 104304	<u>\$ 341,585</u>	<u>387,361</u>