

**EDISON OPTO CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023**

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

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Independent Auditors' Review Report

To the Board of Directors of EDISON OPTO CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of EDISON OPTO CORPORATION and its subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$478,059 thousand and \$403,116 thousand, constituting 12.20% and 10.81% of consolidated total assets at March 31, 2024 and 2023, respectively, total liabilities amounting to \$123,330 thousand and \$77,623 thousand, constituting 14.25% and 8.74% of consolidated total liabilities at March 31, 2024 and 2023, respectively, and total comprehensive income (loss) amounting to \$(727) thousand and \$(8,486) thousand, constituting (0.82)% and (50.75)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of EDISON OPTO CORPORATION and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are Lin, Heng-Shen and Chen, Pei-Chi.

KPMG

Taipei, Taiwan (Republic of China)
May 2, 2024

Notes to Readers

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

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

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

EDISON OPTO CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****March 31, 2024, December 31, 2023, and March 31, 2023****(Expressed in Thousands of New Taiwan Dollars)**

Assets		March 31, 2024		December 31, 2023		March 31, 2023		Liabilities and Equity		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11xx	Current assets:							21xx	Current liabilities:						
1100	Cash and cash equivalents (notes 6(a), 7 and 8)	\$ 990,257	25	1,086,224	28	1,050,067	28	2100	Short-term borrowings (notes 6(j) and 8)	\$ 132,000	3	180,705	5	118,755	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	51,532	1	11,831	-	5,716	-	2170	Accounts and notes payable	351,741	9	338,336	9	261,898	7
1136	Current financial assets at amortized cost, net (note 6(d))	29,000	1	27,669	1	-	-	2200	Other payables (note 6(u))	136,456	4	149,499	4	107,331	3
1170	Accounts and notes receivable, net (notes 6(e)(v))	614,617	16	548,544	15	412,473	11	2230	Current tax liabilities	7,189	-	6,000	-	17,593	1
1180	Accounts receivable due from related parties, net (notes 7)	-	-	13,218	-	-	-	2280	Current lease liabilities (note 6(m))	15,667	-	15,243	-	11,671	-
1200	Other receivables (notes 6(f), 7 and 9)	3,395	-	1,574	-	1,689	-	2321	Bonds payable, current portion (notes 6(l) and 8)	-	-	-	-	130,769	4
1310	Inventories(note 6(g))	328,828	8	328,391	8	318,781	9	2322	Long-term borrowings within one year(notes 6(k) and 8)	16,080	-	16,080	1	16,080	-
1410	Prepayments	61,769	2	57,443	2	68,949	2	2399	Other current liabilities, others	41,670	1	38,776	1	34,071	1
1470	Other current assets (note 8)	53,249	1	30,736	1	31,064	1		Total current liabilities	<u>700,803</u>	<u>17</u>	<u>744,639</u>	<u>20</u>	<u>698,168</u>	<u>19</u>
	Total current assets	<u>2,132,647</u>	<u>54</u>	<u>2,105,630</u>	<u>55</u>	<u>1,888,739</u>	<u>51</u>	25xx	Non-Current liabilities:						
15xx	Non-current assets:							2540	Long-term borrowings (notes 6(k) and 8)	114,201	3	118,220	3	130,280	3
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,475	-	1,477	-	1,992	-	2570	Deferred tax liabilities	1,805	-	1,805	-	3,008	-
1535	Non-current financial assets at amortized cost (note 6(d))	-	-	-	-	8,708	-	2580	Non-current lease liabilities (note 6(m))	8,715	-	12,075	1	16,921	1
1600	Property, plant and equipment (notes 6(h), 8 and 9)	1,639,776	43	1,623,932	42	1,651,616	44	2600	Other non-current liabilities (note 6(n))	39,978	1	38,935	1	39,683	1
1755	Right-of-use assets (note 6(i))	49,900	1	51,921	1	54,426	1		Total non-current liabilities	<u>164,699</u>	<u>4</u>	<u>171,035</u>	<u>5</u>	<u>189,892</u>	<u>5</u>
1780	Intangible assets	2,054	-	2,309	-	2,530	-		Total liabilities	<u>865,502</u>	<u>21</u>	<u>915,674</u>	<u>25</u>	<u>888,060</u>	<u>24</u>
1840	Deferred tax assets	56,054	1	56,054	1	59,430	2	31xx	Equity attributable to owners of parent (notes 6(c)(q)(r)):						
1915	Prepayments for business facilities	12,508	-	16,777	-	36,316	1		Share capital:						
1990	Other non-current assets, others (notes 8 and 9)	23,923	1	21,885	1	24,726	1	3110	Capital stock	1,436,094	37	1,436,094	37	1,377,152	37
	Total non-current assets	<u>1,785,690</u>	<u>46</u>	<u>1,774,355</u>	<u>45</u>	<u>1,839,744</u>	<u>49</u>	3200	Capital surplus	1,562,759	40	1,562,759	40	1,536,755	41
	Total assets	<u>\$ 3,918,337</u>	<u>100</u>	<u>3,879,985</u>	<u>100</u>	<u>3,728,483</u>	<u>100</u>	3310	Legal reserve	5,835	-	5,835	-	16,903	-
								3320	Special reserve	-	-	-	-	112,126	3
								3350	Unappropriated retained earnings (accumulated deficit)	75,148	2	47,591	1	(110,533)	(3)
								3410	Exchange differences on translation of foreign financial statements	(121,877)	(2)	(180,453)	(5)	(149,245)	(4)
								3420	Unrealized gains (loss) on financial assets at fair value through other comprehensive income	(978)	-	(976)	-	(461)	-
								3500	Treasury shares	(34,164)	(1)	(34,164)	(1)	(86,416)	(2)
									Total equity attributable to owners of parent	<u>2,922,817</u>	<u>76</u>	<u>2,836,686</u>	<u>72</u>	<u>2,696,281</u>	<u>72</u>
								36xx	Non-controlling interests	130,018	3	127,625	3	144,142	4
									Total equity	<u>3,052,835</u>	<u>79</u>	<u>2,964,311</u>	<u>75</u>	<u>2,840,423</u>	<u>76</u>
									Total liabilities and equity	<u>\$ 3,918,337</u>	<u>100</u>	<u>3,879,985</u>	<u>100</u>	<u>3,728,483</u>	<u>100</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 Comprehensive Income
For the three months ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share)

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (note 6(t))	\$ 539,463	100	449,388	100
5000	Operating costs (notes 6(g)(h)(i)(o))	403,143	75	326,297	73
	Gross profit from operations	<u>136,320</u>	<u>25</u>	<u>123,091</u>	<u>27</u>
	Operating expenses (notes 6(e)(h)(i)(m)(o)(r)(u)):				
6100	Selling expenses	37,389	7	30,736	7
6200	Administrative expenses	43,564	8	44,623	10
6300	Research and development expenses	33,445	6	29,079	6
6450	Expected impairment loss (reversed)	(537)	-	(590)	-
	Total operating expenses	<u>113,861</u>	<u>21</u>	<u>103,848</u>	<u>23</u>
6900	Net operating income	<u>22,459</u>	<u>4</u>	<u>19,243</u>	<u>4</u>
	Non-operating income and expenses (notes 6(j)(k)(l)(m)(n)(v)):				
7100	Interest income	2,978	1	3,177	1
7010	Other income	448	-	1,906	-
7020	Other gain and losses	3,604	1	(6,723)	(1)
7050	Finance costs	(2,305)	(1)	(5,320)	(1)
	Total non-operating income and expenses	<u>4,725</u>	<u>1</u>	<u>(6,960)</u>	<u>(1)</u>
7900	Profit from continuing operations before tax	27,184	5	12,283	3
7950	Less: Income tax expenses (note 6(p))	946	-	920	-
	Profit	<u>26,238</u>	<u>5</u>	<u>11,363</u>	<u>3</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized (gains) losses from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))	(2)	-	(461)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>(2)</u>	<u>-</u>	<u>(461)</u>	<u>-</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	62,288	12	5,818	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>62,288</u>	<u>12</u>	<u>5,818</u>	<u>1</u>
8300	Other comprehensive income (loss)	<u>62,286</u>	<u>12</u>	<u>5,357</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 88,524</u>	<u>17</u>	<u>16,720</u>	<u>4</u>
	Profit (loss), attributable to:				
8610	Attributable to owners of parent	\$ 27,557	5	12,661	2
8620	Attributable to non-controlling interests	(1,319)	-	(1,298)	1
		<u>\$ 26,238</u>	<u>5</u>	<u>11,363</u>	<u>3</u>
	Comprehensive income (loss) attributable to:				
8710	Attributable to owners of parent	\$ 86,131	16	17,992	4
8720	Attributable to non-controlling interests	2,393	1	(1,272)	-
		<u>\$ 88,524</u>	<u>17</u>	<u>16,720</u>	<u>4</u>
	Earnings per share (note 6(s))				
9750	Basic earnings per share	<u>\$ 0.19</u>		<u>0.10</u>	
9850	Diluted earnings per share	<u>\$ 0.19</u>		<u>0.10</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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Retained earnings					Other equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares			
Balance at January 1, 2023	\$ 1,353,353	1,519,350	16,903	112,126	(123,194)	(155,037)	-	(86,416)	2,637,085	145,414	2,782,499
Net income	-	-	-	-	12,661	-	-	-	12,661	(1,298)	11,363
Other comprehensive income	-	-	-	-	-	5,792	(461)	-	5,331	26	5,357
Total comprehensive income	-	-	-	-	12,661	5,792	(461)	-	17,992	(1,272)	16,720
Conversion of convertible bonds	23,799	17,405	-	-	-	-	-	-	41,204	-	41,204
Balance at March 31, 2023	\$ 1,377,152	1,536,755	16,903	112,126	(110,533)	(149,245)	(461)	(86,416)	2,696,281	144,142	2,840,423
Balance at January 1, 2024	\$ 1,436,094	1,562,759	5,835	-	47,591	(180,453)	(976)	(34,164)	2,836,686	127,625	2,964,311
Net income	-	-	-	-	27,557	-	-	-	27,557	(1,319)	26,238
Other comprehensive income	-	-	-	-	-	58,576	(2)	-	58,574	3,712	62,286
Total comprehensive income	-	-	-	-	27,557	58,576	(2)	-	86,131	2,393	88,524
Balance at March 31, 2024	\$ 1,436,094	1,562,759	5,835	-	75,148	(121,877)	(978)	(34,164)	2,922,817	130,018	3,052,835

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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 27,184	12,283
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	30,134	32,812
Amortization expense	392	834
Expect impairment loss (reversed)	(537)	(590)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	349	(1,299)
Interest expense	2,305	5,320
Interest income	(2,978)	(3,177)
Loss (Gain) on disposal of property, plant and equipment	(1,217)	4,864
Total adjustments to reconcile profit	<u>28,448</u>	<u>38,764</u>
Changes in operating assets and liabilities:		
Accounts and notes receivable	(72,493)	16,662
Other receivables	(1,821)	(148)
Inventories	(437)	(21,058)
Prepayments	(1,963)	(559)
Other current assets	(2,401)	28
Other operating assets	789	(1,440)
Accounts and notes payable	13,405	20,978
Other payable	(13,021)	(19,987)
Other current liabilities	2,894	(4,386)
Net defined benefit liability	177	177
Total changes in operating assets and liabilities	<u>(74,871)</u>	<u>(9,733)</u>
Cash inflow generated from operations	(19,239)	41,314
Interest received	2,816	3,098
Interest paid	(2,327)	(3,369)
Income taxes	(2,121)	(5,292)
Net cash flows from (used in) operating activities	<u>(20,871)</u>	<u>35,751</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(221,549)	(711,524)
Proceeds from disposal of financial assets at fair value through profit or loss	182,277	711,524
Acquisition of property, plant and equipment	(8,802)	(5,709)
Proceeds from disposal of property, plant and equipment	1,335	234
Decrease (Increase) in refundable deposits	(1,955)	2,509
Acquisition of intangible assets	(100)	(560)
Increase in restricted deposits	-	(5,300)
Increase in other non-current assets	(9)	(7)
Increase in prepayments for business facilities	(4,387)	(11,531)
Net cash flows from (used in) investing activities	<u>(53,190)</u>	<u>(20,364)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	100,000	118,380
Decrease in short-term loans	(150,000)	(91,220)
Repayments of long-term debt	(4,019)	(144,420)
Decrease (Increase) in guarantee deposits received	4	(1)
Payment of lease liabilities	(3,766)	(1,140)
Net cash flows used in financing activities	<u>(57,781)</u>	<u>(118,401)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>35,875</u>	<u>(1,256)</u>
Net decrease in cash and cash equivalents	(95,967)	(104,270)
Cash and cash equivalents at beginning of period	1,086,224	1,154,337
Cash and cash equivalents at end of period	<u>\$ 990,257</u>	<u>1,050,067</u>

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

March 31, 2024 and 2023

(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, modules and finished products 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 May 2, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (b) 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 IAS21 “Lack of Exchangeability”
- IFRS 18 “Presentation and Disclosure in Financial Statements”

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of material accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “ Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	Note 4
The Company	Ledison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
The Company	Best Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
The Company	Edison Fund Investment Corporation	Investment	100.00 %	100.00 %	100.00 %	
The Company	Edison-Litek Opto Corporation Limited (note 1)	Investment	24.62 %	24.62 %	44.58 %	Note 4
The Company	Edison-Litek Opto Corporation	Business of opto-electronics	81.67 %	81.67 %	78.57 %	Note 3
The Company	Edison-Egypt Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	Note 4
Ledison Opto Corporation	Edison Opto (Dong Guan) Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Best Opto Corporation	Best Led Corporation	Investment	100.00 %	100.00 %	100.00 %	
Best Led Corporation	Yangzhou Edison Opto Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	
Yangzhou Edison Opto Corporation	Yangzhou Aichuang Electronic Trade Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	Note 4
Edison Fund Investment Corporation	Edison Opto USA Corporation	Business of opto-electronics	55.00 %	55.00 %	55.00 %	Note 4
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Business of opto-electronics	100.00 %	100.00 %	100.00 %	Note 4
Edison Fund Investment Corporation	Ledionopto intelligent Technology Co., Ltd.	Business of opto-electronics	100.00 %	100.00 %	100.00 %	Note 4
Edison-Litek Opto Corporation Limited	Yangzhou Edison-Litek Opto Corporation	Business of optoelectronics	100.00 %	100.00 %	100.00 %	Note 4
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited (note 1)	Investment	60.27 %	60.27 %	28.06 %	Note 2 - 4

Note 1: The Company and Edison-Litek Opto Corporation. directly and indirectly, respectively, held 73.84% shares of Edison-Litek Opto Corporation Limited. in total.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 2: On December, 2023, Edison-Litek Opto Corporation. acquired the equity interest of Edison Litek Opto Corporation Limited with cash of USD1,000,000 increasing the shareholding ratio from 28.06% to 60.27%.

Note 3: On December, 2023, the Company handled a cash capital increase of 2,600 thousand shares, and the Company fully subscribed for 52,000 thousand in cash, and the shareholding ratio of the Company increased from 78.57% to 81.67%

Note 4: The Company is a non-significant subsidiary, its financial statements have not been reviewed.

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

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

In the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2023.

Please refer to note 6 in the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Cash	\$ 6,042	5,432	4,472
Demand Deposit	847,715	488,498	527,841
Time Deposit	<u>136,500</u>	<u>592,294</u>	<u>517,754</u>
	<u>\$ 990,257</u>	<u>1,086,224</u>	<u>1,050,067</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.

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Current financial assets at fair value through profit or loss:			
Convertible corporate bonds	\$ 6,444	6,468	-
Financial products	45,088	-	-
Listed common shares — domestic companies	-	5,363	5,569
Convertible corporate bonds - call options	<u>-</u>	<u>-</u>	<u>147</u>
Total	<u>\$ 51,532</u>	<u>11,831</u>	<u>5,716</u>

The above financial assets of the Group were not pledged.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Unlisted common shares—Foreign Company – LEDLitek Co., Ltd.	\$ <u>-</u>	<u>-</u>	<u>-</u>
Unlisted common shares—Domestic Company – Taiwan Hydroxyl Technology Co., Ltd.	\$ <u>1,475</u>	<u>1,477</u>	<u>1,992</u>

The Group designated the investments shown above should recognize as fair value through other comprehensive income, because these investments were intended to be held for long-term strategic purposes.

For the three months March 31, 2024 and 2023, due to changes in fair value, the amount of unrealized gain (loss) on investments in equity instruments measured at fair value through other comprehensive income was \$(2) thousand and \$(461) thousand, which was recognized under "other equity".

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 proceeded rehabilitation procedures in 2021 and the Group obtained a ruling from a Korean Court to consent the rehabilitation procedure in November 2022. After the rehabilitation procedure fulfil, 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 ended December 31, 2022. In the 1st quarter of 2023, the Group commissioned a Korean lawyer to analyze and issue a legal opinion on the legality of the rehabilitation and notice delivery procedures. In the opinion of the lawyer, no procedural defects have been found in the rehabilitation procedure. There is no procedural defect that would affect its validity. The rehabilitation procedure has not yet had a material impact on the Group's financial and business affairs.

The above financial assets of the Group were not pledged.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets measured at amortized cost

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
More than three months' time Deposit	\$ 29,000	27,669	-
Government international bonds	-	-	8,708
	<u>\$ 29,000</u>	<u>27,669</u>	<u>8,708</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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Notes receivable-non-related parties	\$ 63,259	65,922	33,849
Accounts receivable (include related parties)	553,786	498,375	398,035
Less: Loss allowance	(2,428)	(2,535)	(19,411)
	<u>\$ 614,617</u>	<u>561,762</u>	<u>412,473</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:

	<u>March 31, 2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 561,555	0.005%	32
1 to 30 days past due	38,890	3.86%	1,503
31 to 90 days past due	15,118	4.88%	738
91 to 180 days past due	1,470	9.72%	143
Past due over 180 days	<u>12</u>	100%	<u>12</u>
	<u>\$ 617,045</u>		<u>2,428</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 523,591	0.003%	17
1 to 30 days past due	24,121	4.29%	1,036
31 to 90 days past due	15,749	4.12%	649
91 to 180 days past due	3	0%	-
Past due over 180 days	833	100%	833
	<u>\$ 564,297</u>		<u>2,535</u>
	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 407,319	0.0%	6
1 to 30 days past due	3,241	5.03%	163
31 to 90 days past due	2,296	9.32%	214
Past due over 180 days	19,028	100%	19,028
	<u>\$ 431,884</u>		<u>19,411</u>

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

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ 2,535	19,824
Impairment losses recognized	(138)	(413)
Net income (losses) on foreign exchange	31	-
Balance at March 31	<u>\$ 2,428</u>	<u>19,411</u>

Note and account receivables of the Group were not pledged.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Other receivables

	March 31, 2024	December 31, 2023	March 31, 2023
Other accounts receivable	\$ 45,599	44,040	33,339
Less: Loss allowance	(42,204)	(42,466)	(31,650)
Total	<u>\$ 3,395</u>	<u>1,574</u>	<u>1,689</u>

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

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ 42,466	31,772
Impairment losses recognized	(399)	(177)
Net income on foreign exchange	137	55
Balance at March 31	<u>\$ 42,204</u>	<u>31,650</u>

Other receivables of the Group were not pledged.

(g) Inventories

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 113,003	133,927	129,361
Supplies	4,537	3,703	4,330
Work in progress	132,558	112,361	121,097
Finished goods	78,730	78,400	63,993
	<u>\$ 328,828</u>	<u>328,391</u>	<u>318,781</u>

The details of the cost of sales were as follows:

	For the three months ended March 31,	
	2024	2023
Inventory that has been sold	\$ 398,950	317,178
Write-down of inventories (gain on reversal)	(2,311)	(1,139)
Unallocated production overheads	6,504	10,258
	<u>\$ 403,143</u>	<u>326,297</u>

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the three months ended March 31, 2024 and 2023, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or decked cost:						
Balance at January 1, 2024	\$ 637,862	1,028,212	1,104,491	33,022	203,379	3,006,966
Additions	-	258	7,253	423	868	8,802
Disposal	-	-	(15,096)	(235)	(25)	(15,356)
Reclassify	-	-	8,498	137	383	9,018
Effect of movements in exchange rates	-	23,948	24,132	708	6,125	54,913
Balance at March 31, 2024	<u>\$ 637,862</u>	<u>1,052,418</u>	<u>1,129,278</u>	<u>34,055</u>	<u>210,730</u>	<u>3,064,343</u>
Balance at January 1, 2023	\$ 637,862	1,037,179	1,189,890	33,553	216,604	3,115,088
Additions	-	165	4,811	216	517	5,709
Disposal	-	(2,955)	(20,181)	-	(14,314)	(37,450)
Reclassify	-	-	4,203	146	84	4,433
Effect of movements in exchange rates	-	2,840	3,935	144	753	7,672
Balance at March 31, 2023	<u>\$ 637,862</u>	<u>1,037,229</u>	<u>1,182,658</u>	<u>34,059</u>	<u>203,644</u>	<u>3,095,452</u>
Depreciation and impairments loss:						
Balance at January 1, 2024	\$ -	325,398	945,411	30,119	82,106	1,383,034
Depreciation	-	9,148	13,519	163	3,432	26,262
Disposal	-	-	(14,980)	(235)	(23)	(15,238)
Effect of movements in exchange rates	-	7,939	18,820	528	3,222	30,509
Balance at March 31, 2024	<u>\$ -</u>	<u>342,485</u>	<u>962,770</u>	<u>30,575</u>	<u>88,737</u>	<u>1,424,567</u>
Balance at January 1, 2023	\$ -	295,069	1,032,085	30,537	85,675	1,443,366
Depreciation	-	9,037	14,993	285	4,052	28,367
Disposal	-	-	-	-	(153)	(153)
Disposal	-	(2,659)	(17,312)	-	(12,381)	(32,352)
Effect of movements in exchange rates	-	862	3,214	126	406	4,608
Balance at March 31, 2023	<u>\$ -</u>	<u>302,309</u>	<u>1,032,980</u>	<u>30,948</u>	<u>77,599</u>	<u>1,443,836</u>
Carrying amounts:						
Balance at January 1, 2024	<u>\$ 637,862</u>	<u>702,814</u>	<u>159,080</u>	<u>2,903</u>	<u>121,273</u>	<u>1,623,932</u>
Balance at March 31, 2024	<u>\$ 637,862</u>	<u>709,933</u>	<u>166,508</u>	<u>3,480</u>	<u>121,993</u>	<u>1,639,776</u>
Balance at January 1, 2023	<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 March 31, 2023	<u>\$ 637,862</u>	<u>734,920</u>	<u>149,678</u>	<u>3,111</u>	<u>126,045</u>	<u>1,651,616</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.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) 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:

	<u>Land</u>	<u>Building and Construction</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2024	\$ 32,242	51,457	1,935	85,634
Additions	-	529	-	529
Disposals	-	(898)	(686)	(1,584)
Effect of changes in foreign exchange rates	<u>1,288</u>	<u>1,542</u>	<u>-</u>	<u>2,830</u>
Balance at March 31, 2024	<u>\$ 33,530</u>	<u>52,630</u>	<u>1,249</u>	<u>87,409</u>
Balance at January 1, 2023	\$ 32,795	63,254	6,804	102,853
Additions	-	3,140	-	3,140
Disposals	-	(21,083)	(4,421)	(25,504)
Effect of changes in foreign exchange rates	<u>153</u>	<u>224</u>	<u>-</u>	<u>377</u>
Balance at March 31, 2023	<u>\$ 32,948</u>	<u>45,535</u>	<u>2,383</u>	<u>80,866</u>
Accumulated depreciation:				
Balance at January 1, 2024	\$ 4,251	28,313	1,149	33,713
Depreciation	217	3,494	161	3,872
Disposals	-	(616)	(686)	(1,302)
Effect of changes in foreign exchange rates	<u>174</u>	<u>1,052</u>	<u>-</u>	<u>1,226</u>
Balance at March 31, 2024	<u>\$ 4,642</u>	<u>32,243</u>	<u>624</u>	<u>37,509</u>
Balance at January 1, 2023	\$ 3,459	38,744	5,154	47,357
Depreciation	217	3,914	314	4,445
Disposals	-	(21,083)	(4,421)	(25,504)
Effect of changes in foreign exchange rates	<u>17</u>	<u>125</u>	<u>-</u>	<u>142</u>
Balance at March 31, 2023	<u>\$ 3,693</u>	<u>21,700</u>	<u>1,047</u>	<u>26,440</u>
Carrying amount:				
Balance at January 1, 2024	<u>\$ 27,991</u>	<u>23,144</u>	<u>786</u>	<u>51,921</u>
Balance at March 31, 2024	<u>\$ 28,888</u>	<u>20,387</u>	<u>625</u>	<u>49,900</u>
Balance at January 1, 2023	<u>\$ 29,336</u>	<u>24,510</u>	<u>1,650</u>	<u>55,496</u>
Balance at March 31, 2023	<u>\$ 29,255</u>	<u>23,835</u>	<u>1,336</u>	<u>54,426</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Secured bank loans	\$ -	-	27,405
Unsecured bank loans	132,000	180,705	91,350
Total	<u>\$ 132,000</u>	<u>180,705</u>	<u>118,755</u>
Unused short-term credit lines	<u>\$ 1,042,000</u>	<u>1,099,740</u>	<u>1,481,655</u>
Range of interest rates	<u>1.8%~6.19%</u>	<u>1.8%~6.44%</u>	<u>5.6%~6.03%</u>

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

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

(k) Long-term borrowings

	<u>March 31, 2024</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.196%~ 1.9837%	2041	\$ 130,281
Less: due within one year				(16,080)
Total				<u>\$ 114,201</u>
	<u>December 31, 2023</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.1960%~ 1.9805%	2041	\$ 134,300
Less: due within one year				(16,080)
Total				<u>\$ 118,220</u>
	<u>March 31, 2023</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.9287%~ 2.0643%	2041	\$ 146,360
Less: due within one year				(16,080)
Total				<u>\$ 130,280</u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(1) Bonds payable

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Total convertible corporate bonds issued	\$ -	300,000	300,000
Less: Unamortized discounted corporate bonds payable	-	-	(4,431)
Cumulative converted amount	-	(299,700)	(164,800)
Cumulative creditors repurchase amount	-	(300)	-
Convertible bonds issued balance	<u>\$ -</u>	<u>-</u>	<u>130,769</u>
Embedded derivative-call options (included in financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>-</u>	<u>147</u>
Equity components-conversion options (included in capital surplus-share options)	<u>\$ -</u>	<u>-</u>	<u>14,417</u>
		For the three months ended	
		March 31,	
		<u>2024</u>	<u>2023</u>
Interest expense		<u>\$ -</u>	<u>1,711</u>

<u>Items</u>	<u>Third secured domestic convertible bonds</u>
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

Items	Third secured domestic convertible bonds
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 29, 2021, that due to the allotment of cash dividends on the ordinary shares, the conversion price has been adjusted from NTD 19.3 per share to NTD 19.1 per share since August 21, 2021.</p> <p>(2) The Company announced on August 8, 2022, that due to the allotment of cash dividends and stock dividends on the ordinary shares, the conversion price has been adjusted from NTD 19.1 per share to NTD 17.9 per share since August 30, 2022.</p> <p>(3) The Company announced on June 20, 2023 that due to the allotment of cash dividends on ordinary shares, the conversion price has been adjusted from NTD 17.9 per share to NTD 17.7 per share since July 16, 2023.</p>
10. Pledge	For the collateral for bonds payable, please refer to note 8.

(m) Lease liability

The carrying values of the lease liabilities were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Current	<u>\$ 15,667</u>	<u>15,243</u>	<u>11,671</u>
Non-current	<u>\$ 8,715</u>	<u>12,075</u>	<u>16,921</u>

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended	
	March 31,	
	2024	2023
Interest on lease liabilities	\$ 920	1,007
Expenses relating to short-term leases	\$ 300	381
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 68	74

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

	For the three months ended	
	March 31,	
	2024	2023
Total cash outflow for leases	\$ 5,054	2,602

(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.

(n) 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 March 31, 2024, December 31 and March 31, 2023 the amount of unamortized deferred revenue was \$27,722 thousand, \$26,860 thousand and \$28,074 thousand, respectively.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Employee benefits

(i) Defined benefit plans

	For the three months ended March 31,	
	2024	2023
Operating cost	\$ 26	26
Operating expenses	151	151
	\$ 177	177

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2024	2023
Operating cost	\$ 3,698	3,262
Operating expenses	2,988	2,828
	\$ 6,686	6,090

(p) Income taxes

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

	For the three months ended March 31,	
	2024	2023
Current tax expense		
Current period	\$ 946	920
Adjust the current income tax of the previous period	-	-
Income tax expense	\$ 946	920

(ii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2024 and 2023. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2023.

(i) Issuance and cancellation of ordinary shares

The secured domestic convertible bonds issued by the Company were converted into 2,380 thousand shares of ordinary shares in the 1st quarters of 2023 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:

	March 31, 2024	December 31, 2023	March 31, 2023
Premium on issuance of capital stock	\$ 1,463,695	1,463,695	1,449,443
Employee share options	72,142	72,142	72,142
Difference arising from subsidiary's share price and its carrying value	10,790	10,790	461
Treasury shares transferred to employees of the Company	15,840	15,840	-
Changes in net equity of related companies accounted for using the equity method	292	292	292
Conversion options	-	-	14,417
	<u>\$ 1,562,759</u>	<u>1,562,759</u>	<u>1,536,755</u>

On February 29, 2024, the Company's Board of Directors approved to distribute the cash dividend of \$56,844 thousand by the capital surplus. Each share could receive a cash dividend of \$0.4 from the capital surplus at no cost. Resolution above has yet to be decided by the shareholders' meeting as of the reporting date.

A resolution was approved during the shareholders' meeting held on May 30, 2023 to distribute the cash dividends of \$40,000 thousand by using the capital surplus. Each share could receive a cash dividends of \$0.30572782 from the capital reserve.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

Earnings distribution for the 2023 was decided by the resolution adopted, at the Board of Director held on February 29, 2024, respectively. The relevant dividend distributions to shareholders were as follows:

	2023	
	Amount per share (NT dollar)	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 0.1	14,211

1) Earnings distribution

A proposed was made during the shareholders' meeting held on May 30, 2023, after the legal reserve and special reserve are established by legal, there is no more surplus to be distributed.

(iv) Treasury shares

- 1) The Company purchased 4,500 thousand shares of treasury stock, for the purpose of motivating employees, in accordance with Article 28-2 of the Securities and Exchange Act. In December 2023, the Company decided to retire 1,680 thousand treasury shares, at the amount of \$23,712 thousand. The related registration procedures were completed as of the reporting date. In August 2023, the Company transferred treasury stock to employees, the total amount of treasury stock transferred was 1,320 thousand shares, and the purchase cost was \$18,625 thousand, the treasury stock was recognized by employees on August 10, 2023, and was delivered to employees on September 1, 2023, date of shares granted. The Company recognize capital surplus - treasury shares on the date that the shares was delivered to employees. The Company has recognized employee remuneration cost of \$15,840 thousand on the date of granted and will recognize capital surplus - treasury stock on the date that the shares was delivered to employees. As of March 31, 2024, the total number of untransferred shares was 1,500 thousand shares.
- 2) Ledionopto intelligent Technology Co., Ltd., sub-subsidiary of the Company, held 526 thousand shares of the Company's treasury shares. As of March 31, 2024, all treasury shares were not sold. The market price on March 31, 2024, December 31 and March 31, 2023 were \$25.20, \$24.40 and \$22.65 per share, respectively.
- 3) In compliance with the Securities and Exchange Act, treasury shares held by the Group should not be pledged, and shareholder rights are not entitled before the transfer.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to March 31, 2024 and 2023. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2023.

(s) Earnings per share

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

	For the three months ended	
	March 31,	
	2024	2023
Basic earnings per share		
Profit of the Company for the year	\$ <u>27,557</u>	<u>12,661</u>
Weighted average number of ordinary shares (in thousands of shares)	<u>141,584</u>	<u>130,309</u>
Basic earnings per share (in New Taiwan Dollars)	\$ <u>0.19</u>	<u>0.10</u>
Diluted earnings per share		
Profit of the Company for the year	\$ 27,557	12,661
Effect of dilutive potential ordinary share (note)	-	-
Profit attributable to common stockholders of the Company (including effect of dilutive potential ordinary share)	\$ <u>27,557</u>	<u>12,661</u>
Weighted average number of ordinary shares (in thousands of shares)	141,584	130,309
Effect of remuneration to employees	136	-
Weighted average number of ordinary shares (in thousands of shares)	<u>141,720</u>	<u>130,309</u>
Diluted earnings per share (in New Taiwan Dollars)	\$ <u>0.19</u>	<u>0.10</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 from January 1 to March 31, 2024 and 2023, and were therefore not included in the calculation of diluted earnings per share.

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Revenue detail

For the three months ended March 31, 2024							
	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	\$ 7,133	43,171	50,293	45,901	-	-	146,498
America and Europe	115,505	147	-	-	77,359	17,942	210,953
Taiwan	74,729	681	-	-	27,452	-	102,862
Africa	3,006	-	-	-	-	-	3,006
Others	68,990	1,432	3,706	-	2,016	-	76,144
	<u>\$ 269,363</u>	<u>45,431</u>	<u>53,999</u>	<u>45,901</u>	<u>106,827</u>	<u>17,942</u>	<u>539,463</u>
Major product:							
LED transmitter component	\$ 9,454	21,588	-	-	-	1,660	32,702
LED lighting product	246,479	20,202	20,438	-	-	15,396	302,515
LED automotive product	7,871	-	33,569	45,739	106,096	851	194,126
Others	5,559	3,641	(8)	162	731	35	10,120
	<u>\$ 269,363</u>	<u>45,431</u>	<u>53,999</u>	<u>45,901</u>	<u>106,827</u>	<u>17,942</u>	<u>539,463</u>

For the three months ended March 31, 2023							
	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	\$ 11,645	43,745	61,683	23,658	-	-	140,731
America and Europe	93,808	1,002	-	-	79,242	19,223	193,275
Taiwan	60,470	1,097	36	-	1,640	-	63,243
Africa	9,175	-	-	-	-	-	9,175
Others	39,062	-	3,902	-	-	-	42,964
	<u>\$ 214,160</u>	<u>45,844</u>	<u>65,621</u>	<u>23,658</u>	<u>80,882</u>	<u>19,223</u>	<u>449,388</u>
Major product:							
LED transmitter component	\$ 5,014	24,932	-	-	-	-	29,946
LED lighting product	193,267	19,399	42,321	-	-	15,422	270,409
LED lighting module and product	9,093	-	23,268	22,793	79,506	-	134,660
Others	6,786	1,513	32	865	1,376	3,801	14,373
	<u>\$ 214,160</u>	<u>45,844</u>	<u>65,621</u>	<u>23,658</u>	<u>80,882</u>	<u>19,223</u>	<u>449,388</u>

(ii) Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023
Note receivables	\$ 63,259	65,922	33,849
Accounts receivables	553,786	498,375	398,035
Less: Loss allowance	(2,428)	(2,535)	(19,411)
Total	<u>\$ 614,617</u>	<u>561,762</u>	<u>412,473</u>

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) 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.

From January 1 to March 31, 2024 and 2023, the Company accrued and recognized its employee remuneration amounting to \$1,800 thousand and \$0 thousand, respectively; as well as its remuneration to directors amounting to 400 thousand and 0 thousand. 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. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022. The related information can be accessed from the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of net other income were as follows:

	For the three months ended	
	March 31,	
	2024	2023
Interest income from bank deposits	\$ 1,947	1,736
Other interest income	1,031	1,441
	\$ 2,978	3,177

(ii) Other income

	For the three months ended	
	March 31,	
	2024	2023
Other income	\$ 448	1,906

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31,	
	2024	2023
Gain (losses) on disposal of Property, plant, and equipment	\$ 1,217	(4,864)
Net gain (losses) on financial assets at fair value	(349)	1,299
Net gain on foreign exchange	6,551	(2,416)
Others	(3,815)	(742)
	\$ 3,604	(6,723)

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31,	
	2024	2023
Interest expenses	\$ 2,305	5,320

(w) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2023.

(i) Credit risk

1) Concentration of credit risk

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

2) Receivable

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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2023.

(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>
March 31, 2024							
Non-derivative financial liabilities							
Short term loans	\$ 132,000	(132,136)	(132,136)	-	-	-	-
Long term loans	130,281	(136,360)	(8,801)	(8,749)	(17,358)	(50,921)	(50,531)
Lease liabilities	24,382	(26,839)	(9,052)	(8,743)	(8,523)	(521)	-
Notes payable and accounts payable	351,741	(351,741)	(351,741)	-	-	-	-
Other payable	<u>136,456</u>	<u>(136,456)</u>	<u>(136,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 774,860</u>	<u>(783,532)</u>	<u>(638,186)</u>	<u>(17,492)</u>	<u>(25,881)</u>	<u>(51,442)</u>	<u>(50,531)</u>
December 31, 2023							
Non-derivative financial liabilities							
Short term loans	\$ 180,705	(181,599)	(181,599)	-	-	-	-
Long term loans	134,300	(140,773)	(8,817)	(8,781)	(17,406)	(51,063)	(54,706)
Lease liabilities	27,318	(31,168)	(9,203)	(9,023)	(11,950)	(992)	-
Notes payable and accounts payable	338,336	(338,336)	(338,336)	-	-	-	-
Other payable	<u>149,499</u>	<u>(149,499)</u>	<u>(149,499)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 830,158</u>	<u>(841,375)</u>	<u>(687,454)</u>	<u>(17,804)</u>	<u>(29,356)</u>	<u>(52,055)</u>	<u>(54,706)</u>
March 31, 2023							
Non-derivative financial liabilities							
Short term loans	\$ 118,755	(119,556)	(119,556)	-	-	-	-
Long term loans	146,360	(154,103)	(8,898)	(8,845)	(17,551)	(51,498)	(67,311)
Lease liabilities	28,592	(33,238)	(7,706)	(7,021)	(13,169)	(5,342)	-
Notes payable and accounts payable	261,898	(261,898)	(261,898)	-	-	-	-
Other payable	107,331	(107,331)	(107,331)	-	-	-	-
Bonds payable	<u>130,769</u>	<u>(135,200)</u>	<u>-</u>	<u>(135,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 793,705</u>	<u>(811,326)</u>	<u>(505,389)</u>	<u>(151,066)</u>	<u>(30,720)</u>	<u>(56,840)</u>	<u>(67,311)</u>

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2024			December 31, 2023			March 31, 2023					
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD			
<u>Financial assets</u>												
<u>Monetary items</u>												
USD	\$ 15,024	USD/TWD=	32.000	480,768	9,271	USD/TWD=	30.705	284,666	11,427	USD/TWD=	30.4500	347,952
USD	6,381	USD/CNY=	7.0950	204,128	3,730	USD/CNY=	7.0827	114,537	3,599	USD/CNY=	6.8717	109,571
CNY	14,124	CNY/TWD=	4.5088	63,682	8,819	CNY/TWD=	4.3355	38,235	34,404	CNY/TWD=	4.4305	152,426
<u>Financial liabilities</u>												
<u>Monetary items</u>												
USD	11,440	USD/TWD=	32.000	366,080	7,368	USD/TWD=	30.705	226,234	10,387	USD/TWD=	30.450	316,284
USD	170	USD/CNY=	7.0950	5,438	477	USD/CNY=	7.0827	14,647	524	USD/CNY=	6.8717	15,953
CNY	8	CNY/TWD=	4.5088	36	9	CNY/TWD=	4.3355	39				

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 March 31, 2024 and 2023 would have increased (decreased) the equity by \$18,851 thousand and \$13,886 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.

(iv) Fair value of financial instruments

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2024				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss-financial product	\$ 45,088	45,088	-	-	45,088
Corporate bonds	<u>6,444</u>	<u>6,444</u>	<u>-</u>	<u>-</u>	<u>6,444</u>
Subtotal	<u>51,532</u>	<u>51,532</u>	<u>-</u>	<u>-</u>	<u>51,532</u>
Financial assets at fair value through other comprehensive income-securities of unlisted companies	\$ <u>1,475</u>	<u>-</u>	<u>-</u>	<u>1,475</u>	<u>1,475</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 990,257	-	-	-	-
Fixed deposits with original maturity exceeding three months	29,000	-	-	-	-
Notes and trade receivables (include related parties)	614,617	-	-	-	-
Other receivables	<u>3,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,637,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,741,808</u>	<u>51,532</u>	<u>-</u>	<u>1,475</u>	<u>53,007</u>
Financial liabilities at amortized cost:					
Short-term bank loans	\$ 132,000	-	-	-	-
Long-term bank loans (including due within one year)	130,281	-	-	-	-
Notes and trade payables	351,741	-	-	-	-
Other payables	136,456	-	-	-	-
Lease liabilities	<u>24,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 774,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023				
	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 Securities of listed companies	\$ 5,363	5,363	-	-	5,363
Corporate bonds	<u>6,468</u>	<u>6,468</u>	<u>-</u>	<u>-</u>	<u>6,468</u>
Subtotal	<u>11,831</u>	<u>11,831</u>	<u>-</u>	<u>-</u>	<u>11,831</u>
Financial assets at fair value through other comprehensive income-securities of unlisted companies	<u>1,477</u>	<u>-</u>	<u>-</u>	<u>1,477</u>	<u>1,477</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,086,224	-	-	-	-
Fixed deposits with original maturity exceeding three months	27,669	-	-	-	-
Notes and trade receivables (include related parties)	561,762	-	-	-	-
Other receivables	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,677,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,690,537</u>	<u>11,831</u>	<u>-</u>	<u>1,477</u>	<u>13,308</u>
Financial liabilities at amortized cost					
Short-term bank loans	\$ 180,705	-	-	-	-
Long-term bank loans (including due within one year)	134,300	-	-	-	-
Notes and trade payables	338,336	-	-	-	-
Other payables	149,499	-	-	-	-
Lease liabilities	<u>27,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 830,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2023				
	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	\$ 5,569	5,569	-	-	5,569
Corporate bonds	<u>147</u>	<u>-</u>	<u>147</u>	<u>-</u>	<u>147</u>
Subtotal	<u>5,716</u>	<u>5,569</u>	<u>147</u>	<u>-</u>	<u>5,716</u>
Financial assets at fair value through other comprehensive income-securities of unlisted companies	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>1,992</u>	<u>1,992</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,050,067	-	-	-	-
Notes and trade receivables (include related parties)	412,473	-	-	-	-
Other receivables	1,689	-	-	-	-
Corporate bonds	<u>8,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,472,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,480,645</u>	<u>5,569</u>	<u>147</u>	<u>1,992</u>	<u>7,708</u>
Financial liabilities at amortized cost					
Short-term bank loans	\$ 118,755	-	-	-	-
Long-term bank loans (including due within one year)	146,360	-	-	-	-
Notes and trade payables	261,898	-	-	-	-
Other payables	107,331	-	-	-	-
Bonds payables (including due within one year)	130,769	-	-	-	-
Lease liabilities	<u>28,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 793,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
January 1, 2024	\$ 1,477
In other comprehensive income	<u>(2)</u>
March 31, 2024	<u>\$ 1,475</u>
January 1, 2023	\$ 2,453
In other comprehensive income	<u>(461)</u>
March 31, 2023	<u>\$ 1,992</u>

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023, 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 three months ended	
	March 31,	
	2024	2023
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”	\$ <u>(2)</u>	<u>(461)</u>

- 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

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The fair value measurement of financial instruments by the 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:

	<u>Input</u>	<u>Change</u>	<u>Recognized in other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
March 31, 2024				
Financial assets fair value through other comprehensive income	1.44	1%	\$ <u>15</u>	<u>(15)</u>
December 31, 2023				
Financial assets fair value through other comprehensive income	1.22	1%	\$ <u>15</u>	<u>(15)</u>
March 31, 2023				
Financial assets fair value through other comprehensive income	1.15	1%	\$ <u>20</u>	<u>(20)</u>

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.

- (x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(z) of the consolidated financial statements for the year ended December 31, 2023.

- (y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2023 for further details.

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EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended March 31, 2024 and 2023, were as follows:

			<u>Non-cash changes</u>				<u>March 31, 2024</u>
	<u>January 1, 2023</u>	<u>Cash Flows</u>	<u>Foreign exchange movement</u>	<u>Changes in lease payments</u>	<u>Discount and premium amortization</u>	<u>Conversion options</u>	
Short-term borrowings	\$ 180,705	(50,000)	1,295	-	-	-	132,000
Lease liabilities	27,318	(3,766)	301	529	-	-	24,382
Long-term borrowings (including current portion)	134,300	(4,019)	-	-	-	-	130,281
Deposits received	<u>31</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>
Total liabilities from financing activities	<u>\$ 342,354</u>	<u>(57,781)</u>	<u>1,596</u>	<u>529</u>	<u>-</u>	<u>-</u>	<u>286,698</u>

			<u>Non-cash changes</u>				<u>March 31, 2023</u>
	<u>January 1, 2022</u>	<u>Cash Flows</u>	<u>Foreign exchange movement</u>	<u>Changes in lease payments</u>	<u>Discount and premium amortization</u>	<u>Conversion options</u>	
Short-term borrowings	\$ 92,130	27,160	(535)	-	-	-	118,755
Lease liabilities	29,813	(1,140)	(3,221)	3,140	-	-	28,592
Long-term borrowings(including current portion)	290,780	(144,420)	-	-	-	-	146,360
Bonds payable (included due within one year)	170,262	-	-	-	1,711	(41,204)	130,769
Deposits received	<u>34</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>
Total liabilities from financing activities	<u>\$ 583,019</u>	<u>(118,401)</u>	<u>(3,756)</u>	<u>3,140</u>	<u>1,711</u>	<u>(41,204)</u>	<u>424,509</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wu, Chien-Jung	The Company's chairman
Yangzhou Airui Optoelectronics Co., Ltd.	Related parties (note 1)
Taiwan Hydroxyl Technology Co., Ltd.	Related parties

Note1: The company was not related party from March 21, 2024

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Consolidated Company to related parties were as follows:

	For the three months ended March 31,	
	2024	2023
Yangzhou Airui Optoelectronics Co., Ltd.	\$ 8,868	-

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other sellers.

(ii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	Yangzhou Airui Optoelectronics Co., Ltd.	\$ -	13,218	-
Other receivable	Taiwan Hydroxyl Technology Co., Ltd.	126	129	168

(iii) Others

1) Manage services revenue

	For the three months ended March 31,	
	2024	2023
Taiwan Hydroxyl Technology Co., Ltd.	\$ 180	120

2) Rental Revenue

	For the three months ended March 31,	
	2024	2023
Taiwan Hydroxyl Technology Co., Ltd.	\$ -	160

(iv) Guarantee

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

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EDISON OPTO CORPORATION AND SUBSIDIARIES
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(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 12,600	11,087
Post employment benefits	192	185
	\$ 12,792	11,272

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable (classified under other current assets)	Bank Acceptance	\$ 44,602	24,596	6,835
Deposits (classified under other current assets)	Short-term loans	-	-	15,300
Deposits (classified under other non-current assets)	Deposit to customs	6,106	6,096	6,068
Property, plant, and equipment	Issuance of corporate bonds guarantee	-	-	196,803
Property, plant, and equipment	Long-term loans	245,397	245,760	246,848
		\$ 296,105	276,452	471,854

(Continued)

EDISON OPTO CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

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

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	\$ 20,675	23,993	31,886

(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. 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. The Group proceed the relevant relief procedures and requested for the return of the performance deposit and the revocation of the administrative sanction of the deposit. In March 2023, the Group filed a civil litigation and an administrative litigation processed by the Tainan District Court (return of the performance deposit) and the Kaohsiung High Administrative Court (revocation of the administrative sanction of the deposit).

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

By item	For the three months ended March 31,						
	2024			2023			
	By function	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary	43,319	51,242	94,561	35,805	48,158	83,963	
Labor and health insurance	3,104	3,289	6,393	2,730	3,311	6,041	
Pension	3,724	3,139	6,863	3,288	2,979	6,267	
Directors' remuneration	-	928	928	-	216	216	
Others	4,825	3,071	7,896	3,588	2,844	6,432	
Depreciation	21,015	9,119	30,134	22,279	10,533	32,812	
Amortization	-	392	392	-	834	834	

(Continued)

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		
0	Edison Opto Corporation	Edison Litek Opto Corporation	Other receivables due from related parties	Yes	50,000	50,000	-	2%	2	-	Short-term financing	-	-	-	584,563 (Note 1)	1,169,127 (Note 1)
1	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Other receivables due from related parties	Yes	45,088 (CNY10,000 thousand)	45,088 (CNY10,000 thousand)	22,544	2%	2	-	Short-term financing	-	-	-	205,531 (Note 1)	411,061 (Note 1)
2	Edison litek Opto Corporation Limited	Edison Litek Opto Corporation	Other receivables due from related parties	Yes	44,800 (USD1,400 thousand)	44,800 (USD1,400 thousand)	44,800	2%	2	-	Short-term financing	-	-	-	48,897 (Note 1)	97,795 (Note 1)

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

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

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

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

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

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

(iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	
Edison Fund Investment Corporation	Taiwan Hydroxyl Technology Co., Ltd	None	Financial assets through other fair value measurements-non-current	300	1,475	12.50 %	1,475
Edison Opto Corporation	AcBel Polytech Inc.-convertible bonds	None	Current financial assets at fair value through profit or loss	-	6,444	- %	6,444
Yangzhou Edison Opto Corporation	China Minsheng Banking Corp., Ltd.-structured deposits - RMB financial product (Gold and binary-three-segment structure)	None	Current financial assets at fair value through profit or loss	-	45,088	- %	45,088

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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: None.
- (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: None
- (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: Please refer to notes 6(b).
- (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	Edison Opto USA Corporation	1	Sales	9,666	60 days	0.25%
0	The Company	Edison Opto USA Corporation	1	Accounts receivable	10,022	60 days	0.25%
0	The Company	Edison Opto (Dong Guan) Co., Ltd.	1	Sales	12,066	60 days	2.20%
1	Yangzhou Edison Opto Corporation	The Company	2	Sales	98,138	60 days	17.86%
1	Yangzhou Edison Opto Corporation	The Company	2	Accounts receivable	93,104	60 days	2.36%
2	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Sales	69,743	60 days	12.69%
2	Edison Opto (Dong Guan) Co., Ltd.	The Company	2	Accounts receivable	58,442	60 days	1.48%
3	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	3	Sales	15,298	60 days	2.78%
3	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	3	Accounts receivable	15,578	60 days	0.40%
4	Edison-Litek Opto Corporation Limited	Edison-Litek Opto Corporation	3	Other accounts receivable	45,018	According to the contract	1.14%
5	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	3	Other accounts receivable	22,544	According to the contract	0.58%

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.

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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 March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	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 %	10,650	(5)	(5)	-
The Company	Ledison Opto Corporation	Samoa	Selling of LED components and modules	145,991	145,991	4,500	100.00 %	255,830	(415)	(415)	-
The Company	Best Opto Corporation	Samoa	Selling of LED components and modules	1,277,226	1,277,226	41,000	100.00 %	1,022,056	3,933	3,689	-
The Company	Edison Fund Investment Corporation	Taiwan	Investment	686,000	686,000	25,000	100.00 %	87,852	647	647	-
The Company	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	167,661	167,661	5,500	24.62 %	60,192	(13,692)	(3,371)	-
The Company	Edison-Litek Opto Corporation	Taiwan	Selling of LED components and modules	116,500	116,500	14,700	81.67 %	285,438	3,091	2,746	-
The Company	Edison-Egypt Opto Corporation	Taiwan	Selling of LED components and modules	25,000	25,000	2,500	100.00 %	25,601	91	91	-
Best Opto Corporation	Best Led Corporation	Samoa	Investment	1,277,226	1,277,226	41,000	100.00 %	1,027,658	3,933	3,933	-
Edison Fund Investment Corporation	Edison Opto USA Corporation	USA	Selling of LED components and modules	6,392	6,392	220	55.00 %	35,521	406	224	-
Edison Fund Investment Corporation	Ledionopto Intelligent Technology Corporation	Taiwan	Selling of LED components and modules	113,185	113,185	2,200	100.00 %	21,480	15	15	-
Edison Fund Investment Corporation	Edison Auto Lighting Corporation	Taiwan	Selling of LED components and modules	7,570	7,570	1,000	100.00 %	5,479	361	361	-
Edison-Litek Opto Corporation	Edison-Litek Opto Corporation Limited	Hong Kong	Investment	64,472	64,472	13,463	60.27 %	147,353	(13,692)	(8,252)	-

(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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Edison Opto (Dong Guan) Co., Ltd.	Manufacturing and selling of LED components and modules	145,991 (USD 4,500 thousand)	(b)	111,408 (USD 3,317 thousand)	-	-	111,408 (USD 3,317 thousand)	(415) (USD (13) thousand)	100.00%	(415) (USD (13) thousand)	262,081 (USD 8,190 thousand)	34,583 (USD 1,183 thousand)
DongGuan Davinci Opto Co., Ltd. (note 2)	Manufacturing and selling of LED components and modules	-	(b)	52,255 (USD 1,714 thousand)	-	-	52,255 (USD 1,714 thousand)	-	-	-	-	-

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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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024	Net income (losses) of the investee	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	1,277,226 (USD 41,000 thousand)	(b)	1,277,226 (USD 41,000 thousand)	-	-	1,277,226 (USD 41,000 thousand)	3,934 (USD 125 thousand)	100.00%	3,934 (USD 1,220 thousand)	1,027,654 (USD 32,114 thousand)	-
Yangzhou Aichuan Electronic Trade Corporation	Selling of LED components and modules	2,148 (RMB 500 thousand)	(c)	-	-	-	-	9 (RMB 2 thousand)	100.00%	9 (RMB 2 thousand)	2,409 (RMB 534 thousand)	-
Yangzhou Edison-Litek Opto Corporation	Manufacturing and selling of LED components and modules	270,552 (USD 8,875 thousand)	(b)	167,661 (USD 5,500 thousand)	-	-	167,661 (USD 5,500 thousand)	(6,358) (USD (202) thousand)	73.84%	(4,695) (USD (149) thousand)	152,103 (USD 4,753 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 Electronic Trade Corporation is 100% invested by Yangzhou Edison Opto Corporation.

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	1,556,295 (USD49,817 thousand)	1,624,644 (note 3) (USD50,770 thousand)	Note 1
Ledionopto Intelligent Technology Corporation	52,255 (note 2) (USD1,714 thousand)	54,848 (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		17,181,388	11.96 %
Jeng, Jiun-jung		10,376,000	7.22 %

(14) Segment information:

For the three months ended March 31, 2024								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 269,363	45,431	53,999	45,901	106,827	17,942	-	539,463
Intersegment revenues	17,410	79,733	99,658	15,789	677	9,117	(222,384)	-
Total revenue	<u>\$ 286,773</u>	<u>125,164</u>	<u>153,657</u>	<u>61,690</u>	<u>107,504</u>	<u>27,059</u>	<u>(222,384)</u>	<u>539,463</u>
Reportable segment profit or loss	<u>\$ 27,557</u>	<u>(413)</u>	<u>3,933</u>	<u>(6,358)</u>	<u>3,865</u>	<u>1,678</u>	<u>(3,078)</u>	<u>27,184</u>
For the three months ended March 31, 2023								
	The Company	Edison Opto (Dong Guan) Co., Ltd.	Yangzhou Edison Opto Corporation	Yangzhou Edison-Litek Opto Corporation	Edison-Litek Opto Corporation	Others	Reconciliation and elimination	Total
Revenues:								
Revenue from external customers	\$ 214,160	45,844	65,621	23,658	80,882	19,223	-	449,388
Intersegment revenues	17,713	76,356	85,395	34,400	-	11,597	(225,461)	-
Total revenue	<u>\$ 231,873</u>	<u>122,200</u>	<u>151,016</u>	<u>58,058</u>	<u>80,882</u>	<u>30,820</u>	<u>(225,461)</u>	<u>449,388</u>
Reportable segment profit or loss	<u>\$ 12,661</u>	<u>200</u>	<u>15,581</u>	<u>(3,506)</u>	<u>952</u>	<u>3,177</u>	<u>(16,782)</u>	<u>12,283</u>

Note: The eliminated amount among reportable segments for the March 31, 2024 and 2023 were \$222,384 and \$225,461 respectively.