



Stock Code: 3437

Advanced Optoelectronic Technology Inc.

2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

This annual report is accessible through the websites below:

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw/>

AOT Website: <https://www.aot.com.tw/>

May 12, 2023

Corporation Information

A. Spokesperson & Deputy Spokesperson information

Spokesperson: Fang, Jung-Hsi

Title: Chairman & CEO

Tel: (03)597-6988

E-mail: ir@aot.com.tw

Deputy Spokesperson: Cheng, Chen-Hsun

Title: Div. Head of FA & Investment Management Div.

Tel: (03)597-6988

E-mail: ir@aot.com.tw

B. Headquarters, Branches and Plants

Headquarters

Address: No. 13, Gongye 5th. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan, R.O.C.

Tel: (03)597-6988

Siwei Plant

Address: No.7-1, Siwei Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan, R.O.C.

Tel: (03)601-9188

C. Stock Transfer Agent

Name: Grand Fortune Securities Co., Ltd

Address: 6F, No.6, Sec. 1, Zhongxiao W. Rd., Taipei City, Taiwan, R.O.C.

Website: <https://www.gfortune.com.tw/>

Tel: (02)2371-1658

D. Auditors

Auditors: Lin, Po-Chuan & Chang, Shu-Chiung

Company: PricewaterhouseCoopers

Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.

Website: <https://www.pwc.tw/>

Tel: (02)2729-6666

E. Overseas Securities Exchange: Not applicable.

F. Corporate Website: <https://www.aot.com.tw/>

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Section One - Letter to Shareholders

Dear Shareholders,

The war between Russia and Ukraine since February 2022 caused global energy and raw material prices to rise sharply. The outbreak of COVID-19 in China in the second quarter resulted in the implementation of strict lockdowns that severely impacted the global supply chain and China's domestic market. To combat inflation, the U.S. Federal Reserve has raised interest rate rapidly since March, and the volatility of global financial market has intensified. Non-USD currency has depreciated sharply, causing imported inflation and affecting the demand for discretionary goods. Inventory wise, with jams at ports worldwide, goods snatching back then has become high inventory and from major labor shortages to major layoffs, the global economic growth rate in 2022 has declined from 5.5% in 2021 to 2.9%. Meanwhile, the U.S. government is promoting "friendly outsourcing" to improve the supply chain resilience. The intensification of competition between the world's largest and second largest economies, the U.S. and China, from the trade war to the technology war and chip war, is inevitable.

Trendforce estimates that TV shipments declined by 3.9% in 2022 due to impacts from the weak economy. The notebook and monitor market, on the other hand, grew sharply in 2021 benefiting from the stay at home schooling and working demands due to the pandemic. Up till the lower half of 2022, with the lifting of lockdowns worldwide, the notebook shipment underwent a huge decline by 24.5%, and the monitor shipment declined by 8.8%. According to the IDC survey, the smartphone shipment declined by 11.3% in 2022 due to the poor economy. For the first time in the 10 years, the wearables shipment showed a negative growth, with a year-on-year decrease of 3.3%. According to Trendforce statistics, the global automotive sales declined by 0.1% in 2022, except for emerging markets such as China and India, which showed growth compared to the previous year, while sales declined in the United States, Western Europe, and Eastern Europe; the LED backlight industry has declined significantly due to the sluggish consumer market, which has also greatly affected the Company's operations. In 2022, the revenue was reduced to NT\$2.19 billion, the gross profit was NT\$240 million, and the loss per share was NT\$0.98.

2023 sees that there will be a year of complete recovery from the COVID-19 pandemic, but many of the changes caused by the pandemic will continue. The continual war between Russia and Ukraine and the increase in the risk of abnormal climate change have kept the prices of energy and raw materials high. The intensification of trade tensions between China and the United States has raised global geopolitical risks. Central banks in the U.S. and E.U. continue to raise interest rates in an attempt to curb inflation, causing enterprises to be prudent about investment and resulting in impacts to investment in new business models. With the ongoing inflation, surging interest rates and finance fluctuations, the World Bank forecasts that China is expected to grow by 4.3% in 2023, growth rate for developed nations such as the U.S., Eurozone, and Japan at 0.5%, for emerging nations at 3.4%, and the global average economic growth at only 1.7%. The risk of economic recession is high.

As far as the LED industry is concerned, the bonuses of the stay-at-home economy brought about by the pandemic have ended, and the industry has returned to the normal track. In 2023, TrendForce forecasts that the global shipment of laptops will drop by 7.8% year-on-year, and that of Monitor will drop by 5.8% year-on-year. The decline is smaller. The weak economy has impacted the TV sales trend that supported the consumer market. It is predicted that the global TV shipment will decline by 2.8% annually. However, the TV panels are predicted to increase by 1.5 inches. This can offset some negative effects. In terms of smartphone shipment, due to the sluggish consumer market, IDC predicts a 1.1% year-on-year decline in global shipments, while OLED mobile phone penetration is set to exceed 50%, and LED backlighting applications will be affected particularly. For automotive, TrendForce expects global auto sales to resume growth with an

annual growth rate of about 3.8%. With the increase in the wearable devices health trend, price zone and penetration rate and the recovery of demand in emerging countries, such as, India, the growth rate is expected to be 4.6%. The Company's 2022 operation overview and 2023 business plan are stated as follows:

I. 2022 Operational Implementation Overview

(I) Implementation results of business plan

In 2022, the Company's net revenue was NT\$2.19 billion, gross operating profit was NT\$240 million, operating loss was NT\$160 million, and the current net loss was NT\$140 million, and the net loss per share after tax is NT\$0.98.

Unit:NT\$ Thousand

Item	2022		2021	
	Amount	%	Amount	%
Operating revenues	2,410,672	100.0%	4,396,109	100.0%
Gross profit	307,368	12.8%	622,121	14.2%
Operating income (loss)	(172,812)	(7.2%)	61,118	1.4%
Net income (loss)	(142,246)	(5.9%)	88,311	2.0%

(II) State of operating income and expense

The Company's net cash outflow was NT\$80 million in 2022, and there is NT\$1.22 billion in cash at the end of the period. The funds were considered sufficient.

Unit:NT\$ Thousand

Item	2022	2021	Difference
Net cash inflow (outflow) from operating activities	270,162	699,445	(429,283)
Net cash inflow (outflow) from investing activities	(197,315)	50,129	(247,444)
Net cash inflow (outflow) from financing activities	(93,815)	(389,467)	295,652
Effect of exchange rate changes on cash and cash equivalents	961	(2,087)	3,048
Current cash and cash equivalents increase (decrease)	(20,007)	358,020	(378,027)

(III) Status of budget implementation

The Company did not disclose financial forecasts in 2022; therefore, it is not necessary to disclose the implementation status.

(IV) Profitability analysis

The entire year's loss per share after tax in 2022 was NT\$0.98.

(V) Research and development status

In 2022, the Company invested a total of NT\$78,879 thousand in R&D expenses, representing 3.6% of the operating revenue for the year, an increase of 71% compared to the 2.1% of the previous year. Our R&D achievements in 2022 include the development of the following: Mini LED and driver package components, ultra-thin edge-lit polycrystalline LED components, high power polycrystalline automotive headlamp LED components, automotive backlight module LED package components, automotive LED headlamps and tail lamp modules, fingerprint recognition components under infrared displays, D-TOF optical sensing components, and miniaturized polycrystalline wearable LED components.

II. Business plan and management policy in 2023

The outlook for 2023, the consumers' purchasing power will be reduced due to inflation and poor economy, while the supply-side will be more cautious in cash and inventory management as it will take time for the Company to digest the high inventory level which further present operational challenges. Despite the uncertain economic prospects, there is still room for growth in niche markets such as automotive and wearable devices. The application of Mini LED in automotive backlight displays has the advantages of improved safety, energy saving, high surface optical performance, and high LED reliability. In addition to stabilizing the original backlight market, the Company will continue to expand the market in the automotive Mini LED backlight market. Automotive interior and exterior lighting components, as well as headlamps, tail lamps, and heads-up displays will also contribute to revenue and profit. In terms of new applications, the development of AR, VR, sensing and other packaged application products will continue, and the focus will be on the dual themes of Metaverse and self-driving cars that will be developed and verified together with customers in preparation for future growth.

The management team and all employees of the Company will not only continue to improve the operating efficiency, but also promote the friendly environment and sound corporate governance and the fulfillment of corporate citizenship. The Company would like to thank all the shareholders for their long-term support.

Chairman: Fang, Jung-Hsi

Section Two - Company Profile

I. Date of establishment: October 2, 1999.

II. Company history:

October 1999	The Company was established, engaged in the packaging manufacturing of surface mount device (SMD) laser diodes (LD) and light emitting diodes (LED).
April 2000	The Company became the first domestic professional manufacturer to successfully develop the metal substrate for surface-mount encapsulation packaging technology.
September 2000	Completed setup of the machine for mass production of high-luminance surface-mount LEDs.
January 2001	Blue SMD LED officially entered mass production.
April 2002	Passed ISO 9001:2000 certification.
May 2004	Approved by the Investment Commission for establishing the subsidiary, ZHAN JING Technology (Shen ZHEN) Co., Ltd. in Mainland China.
July 2004	The Securities and Futures Bureau approved the public stock offering.
December 2004	Relocated to new plant in Hsinchu Industrial Zone.
April 2005	Listed as an Emerging Stock Market stock.
March 2006	Passed ISO 14001:2004 certification.
January 2007	Passed ISO TS16949:2002 certification.
June 2009	Withdrawal from public offering.
October 2009	Zhunan Branch was established to expand the scale of production.
February 2010	The Hsinchu Science Park Bureau approved the relocation of Zhunan Branch to Zhunan Science Park.
June 2010	The Chinese name of the Company was changed (from " Hsien Chin Kai Fa Corporation " to " Jung Chuang Corporation"), while the English name of the Company remains the same, and Mr. Chuang, Hong-Jen was elected as the Chairman.
April 2011	Zhunan Branch started mass production.
December 2012	The Company expanded the business items and scope of the mainland subsidiary, ZHAN JING Technology.
May 2013	The Securities and Futures Bureau approved the public stock offering.
June 2013	The Company was listed on the Taipei Exchange (TPEX) by emerging stock and listed.
January 2014	Won the "2013 Intellectual Property Team Honor Award - Optomechatronic Integration Engineering Silver Award" from Hon Hai Technology.
July 2014	The Company was listed on the Taiwan Stock Exchange.
September 2014	Expanded the production scale of Zhunan Base.
November 2014	Selected as one of the "2014 Deloitte Technology Fast 500 Asia Pacific".
January 2015	Hukou Branch Office and Zhunan Branch Office were awarded the Healthy Workplace Certification and Health Promotion Badge.

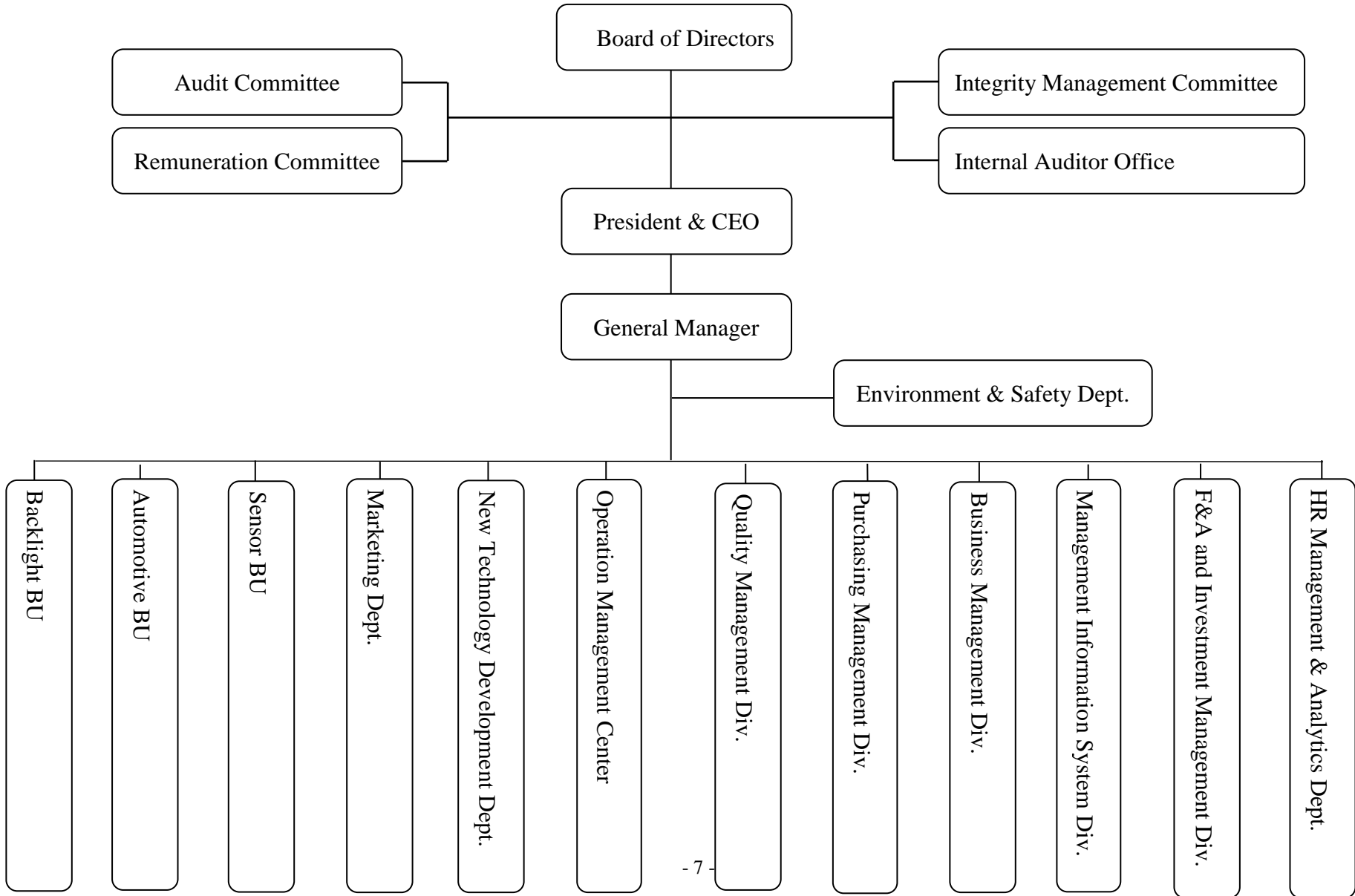
February 2015	The Company was awarded the "2014 Intellectual Property Organizational Honor Award - Optoelectronics and Imaging Silver Award" from Hon Hai Technology.
March 2015	Passed the ISO/TS 16949:2009 automotive quality management system certification (UL).
November 2015	The Board approved to purchase the land and factory at Siwei Road, Hsinchu Industrial Zone.
January 2016	Passed the IECQ QC080000:2012 hazardous substance management system certification (UL).
May 2016	Relocated Xionglin Plant to Siwei Plant.
May 2016	Siwei Plant completed the ISO 9001:2008 quality management system factory transfer certification (UL).
June 2016	Mr. Fang, Jung-Hsi was appointed as the chairman following a director's re-election.
September 2017	The subsidiary "GLORYLUX INC." was established.
January 2018	Capital increase by US\$1 million for the subsidiary "ZHAN JING Tecnology (Shen ZHEN) Co., Ltd.".
January 2018	Zhunan Branch Office passed the IECQ QC080000:2012 Hazardous Substance Management System UL annual renewal evaluation.
January 2019	Siwei Plant passed the ISO 9001:2015 international quality management system certification and the IECQ QC 080000:2017 Hazardous Substance Process Management System certification.
February 2019	The Hukou Plant passed the IATF 16949:2016 automotive quality management system certification.
March 2019	The Zhunan Plant was relocated to Hukou Plant and Siwei Plant to improve operational efficiency.
November 2019	The Hsinchu Science Park Bureau approved the abolition of the Zhunan Branch.
November 2019	In order to fulfill corporate social responsibility, the Company donated and established the "AOT Foundation."
December 2019	Siwei Plant passed the renewal evaluation of the Hazardous Substance Process Management System (IECQ QC 080000:2017).
February 2020	The Hukou Plant passed the IATF 16949:2016 automotive quality management system certification renewal evaluation.
April 2020	Passed the ISO/IEC 17025:2017 laboratory management system certification.
August 2020	The Siwei Plant passed the IATF 16949:2016 automotive quality management system certification evaluation.
November 2020	Applied for the "LED Industry Integrated Smart Manufacturing and Production Information Application Technology Development Plan", which was granted a subsidy by Industrial Development Bureau, MOEA.
December 2020	Siwei Plant passed the renewal evaluation of the Hazardous Substance

	Process Management System (IECQ QC 080000:2017).
February 2021	Passed the ISO/IEC 17025:2017 laboratory management system certification renewal evaluation.
March 2021	Hukou Plant passed IATF 16949:2016 change of certification for quality management system for the automotive industry.
April 2021	Completion of certification for ISO14064-1 Greenhouse Gas Inspection.
May 2021	The dissolution registration of the subsidiary "GLORYLUX INC." was completed.
July 2021	Passed certification for ISO14001 Environmental Management System & Occupational Safety and Health Management System.
August 2021	The Siwei Plant passed the IATF 16949:2016 automotive quality management system certification renewal evaluation.
January 2022	The Hukou Plant passed the IATF 16949:2016 automotive quality management system certification renewal evaluation.
February 2022	Passed the ISO/IEC 17025:2017 laboratory management system certification renewal evaluation.
March 2022	Siwei Plant passed the change of certificate for the Hazardous Substance Process Management System (IECQ QC 080000:2017).
May 2022	Completion of the greenhouse gas verification for Hukou Plant and Siwei Plant passing the ISO14064-1:2016.
June 2022	The Siwei Plant passed the IATF 16949:2016 automotive quality management system certification renewal evaluation.
July 2022	Hukou Plant and Siwei Plant passed the ISO14001:2015 environmental management system verification.
July 2022	Hukou Plant and Siwei Plant passed the ISO45001:2018 environmental management system and CNS45001:2018 Occupational safety and health management system verification.
July 2022	The subsidiary "Asphetek Solution Inc." was established.
January 2023	Hukou Plant passed the IECQ QC080000 Hazardous Substance Process Management System, Factory Transfer Audit.
February 2023	Passed the ISO/IEC 17025 laboratory management system certification renewal evaluation.
February 2023	The Hukou Plant passed the renewal evaluation for IATF 16949 automotive quality management system.

Section Three - Corporate Governance Report

I. Organization

(I) Organizational Chart



(II) Functions and duties of main departments

Department	Main functions and duties
President & CEO	<ul style="list-style-type: none"> • Planning the development direction of the Company. • Implement the resolutions of the Board of Directors.
General Manager	<ul style="list-style-type: none"> • An overview of the Company's operational goals, business operations, and organizational management strategies. • Manage company affairs.
Integrity Management Committee	<ul style="list-style-type: none"> • Embed integrity and ethics into business strategies, and develop sound corporate governance and risk control mechanisms. • Assist the Board of Directors and the management in reviewing and assessing whether the implementation of ethical corporate management measures are operating effectively, and evaluate related business processes on a regular basis to prepare reports.
Internal Auditor Office	<ul style="list-style-type: none"> • Responsible for the evaluation and implementation of the Company's audit operation and internal control system, and provide suggestions for improvement to promote effective operation.
Backlight BU	<ul style="list-style-type: none"> • Responsible for the strategic directions of business operation of backlight products and introducing products into mass production.
Automotive BU	<ul style="list-style-type: none"> • Responsible for the strategic directions of business operation of in-vehicle products and introducing products into mass production.
Sensor BU	<ul style="list-style-type: none"> • Responsible for the strategic directions of business operation of sensing products and introducing products into mass production.
Marketing Dept.	<ul style="list-style-type: none"> • Responsible for the business development, sales, and customer service of the Company's products, and the formulation of business strategies and development directions.
New Technology Development Dept.	<ul style="list-style-type: none"> • Responsible for the cross-field development of new technologies and products.
Operation Management Center	<ul style="list-style-type: none"> • Formulate plant operation plans, set annual goals, execute and achieve various operation performances. • Audits and traces the daily operations of the factory premises to assist in the development of new products and the smooth progress of production. • Cross-plant coordination and resource integration scheduling. • Promotes improvements and implements plant data management.
Quality Management Div.	<ul style="list-style-type: none"> • Implementation, planning, management, and maintenance of the quality system. • Control over product quality.
Business Management Div.	<ul style="list-style-type: none"> • Executes business management strategies, analyzes the Company's business performance and product performance, and offers recommendations. • Manage budgets and allocate resources effectively.
Purchasing Management Div.	<ul style="list-style-type: none"> • Master the mainstream specifications in the market and stabilize the relationship with the supply chain to improve the cost competitiveness of the supply chain. • Ensuring the competitive procurement cost of fixed capital and consumables in the industry. • Master the collection and analysis of new equipment and new market information.
Management Information System Div.	<ul style="list-style-type: none"> • Design the information management system in line with the corporate management strategy and model. • Provide real-time decision support system and management information

	<p>to improve decision-making, management and problem resolution speed.</p> <ul style="list-style-type: none"> • Improve the efficiency of internal and external operating procedures to reduce costs and improve quality and speed. • Establishes information security management policies and computer security protection control.
F&A and Investment Management Div.	<ul style="list-style-type: none"> • Comprehensive management of the Company's finance, accounting, taxation and provides financial and accounting information. • Implementation of investment plans, risk avoidance, industrial and commercial registration and share registration matters.
HR Management & Analytics Dept.	<ul style="list-style-type: none"> • Integrate the Company's human resource functions, including the selection, employment, education, and retention of personnel. • General and administrative affairs. • Comprehensive review of corporate contracts and legal matters. • Plan the global patent layout and application process for products.
Environment & Safety Dept.	<ul style="list-style-type: none"> • Responsible for the Company's environmental protection, occupational safety and health, etc. • Formulate occupational hazard prevention plans, promote an occupational safety and health management system, and implement the Company's environmental, safety and health policy management.

II. Information of Directors, Supervisors and Management Team:

(I) Directors and Supervisors

1. Basic Information

May 12, 2023

Job title	Nationality or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of Office (year)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer, director, or supervisor with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%			Job title	Name	Relationship	
Chairman	ROC	Fang, Jung-Hsi	M 51~60	2022.06.29	3	2007.09.28	1,007,000	0.70%	1,007,000	0.70%	—	—	3,350,000	2.32%	Master, Dept. of Materials Science and Engineering, National Tsing Hua University Sales Dept. Head of Allied Material Technology Corp. Dept. head, Innolux Corp General Manager, Advanced Optoelectronic Technology(AOT)	CEO, Advanced Optoelectronic Technology Chairman, Asphetek Solution Director, Advanced ptoelectronic Technology Holding LTD Director, AOT Holding LTD Director, Elux, Inc. Chairman, Chi-Yu Investment Industrial Co., Ltd Director, Epileds Technologies	—	—	—	1
Director	ROC	Chuang, Hong-Jen	M 61~70	2022.06.29	3	2010.06.22	3,206,000	2.22%	3,206,000	2.22%	—	—	—	—	Master, Dept. of Accounting, Soochow University Chairman, Innolux Corp. Chairman, Advanced Optoelectronic Technology Chairman, GIS Holding LTD	Chairman, Fu Chu Technology Chairman, Yung Li Investment Chairman, Hong Wei Company Chairman, Honghan Investment Chairman, Riquan Investment Chairman, Lianju Investment Co., Chairman, Yili Investment Co., Chairman, Yongyao Biotech Corp. Chairman, Yonglin Yonglin Biotech Corp. Director, eChem Solutions Corp.	—	—	—	—
Director	ROC	Chang, Deng-Kai	M 51~60	2022.06.29	3	2013.09.25	60,999	0.04%	60,999	0.04%	—	—	—	—	Master, Dept. of Business Management, Daito Bunka University, Japan Dept head of CEO office , Chi Mei Optoelectronics Corp.	Chairman & General Manager , Century Technology (Shen Zhen) LTD	—	—	—	2
Director	ROC	Pao Shin Int'l Investment Co., Ltd.	—	2019.06.25	3	2013.09.25	9,853,000	6.82%	9,853,000	6.82%	—	—	—	—	—	(Note 3)	—	—	—	4
	ROC	Huang, Yu- Liang	M 51~60	2019.06.25	3	2019.06.25	—	—	1,000,000	0.69%	—	—	—	—	B.S., Dept. of Mechanical Engineering, National Taiwan University of Science and Technology Manager, Chi Mei Optoelectronics Corp.	General Manager, Advanced Optoelectronic Technology Director & General Manager, Zhanjing Technology (Shen Zhen) LTD Director, Asphetek Solution Inc.	—	—	—	4

Job title	Nationality or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of Office (year)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer, director, or supervisor with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%			Job title	Name	Relationship	
Independent Director	ROC	Liu, Shi-Heh	M 61~70	2022.06.29	3	2016.06.24	—	—	—	—	—	—	—	—	Master, Dept. of Finance, National Taiwan University Bureau of Foreign Trade, Ministry of Economic Affairs Specialist, TSEC VP of Sales, Fubon Securities Co., President, Unicon Optical Co., President, Empire Vision Optical ,	Director, Generalplus Technology Inc.	—	—	—	—
Independent Director	ROC	Yu, Hsiang-Tun	M 61~70	2022.06.29	3	2016.06.24	4,000	0.003%	4,000	0.003%	—	—	—	—	B.S., Dept. of Business Academy, Keio University, Japan Acting Manager, Int'l Business Dept., Yamaichi Securities, Japan General Manager, Yamaichi Merchant Bank (Singapore) Ltd., Section Manager, Trust Custody Dept., Merrill Lynch, Japan Minister, Management and Legal Dept., Prudential Financial Securities Investment Trust Enterprise, Japan Vice Minister, Daiwa Asset Management Co. Ltd., Japan	Director, GIS Holding LTD	—	—	—	—
Independent Director	ROC	Charles W. Tu	M 71~80	2022.06.29	3	2021.07.20	—	—	—	—	—	—	—	—	Ph.D. of Engineering and Applied Science, Yale University Researcher of AT&T Bell Labs Dean of Dept. Electrical & Computer Engineering, UCSD Yushan scholar of National Chung Hsing University	Honorary Professor, Dept of Electrical & Computer Engineering, UCSD	—	—	—	—
Independent Director	ROC	Wang, Shu-Lan	F 61~70	2022.06.29	3	2022.06.29	—	—	—	—	—	—	—	—	Master of Business Administration, California Miramar University. Special Assistant to Chairperson, Sunplus Technology Co., Ltd.	Director, Sunplus mMedia Inc. Director, Jumplux Technology Supervisor, Shanghai Sunplus Technology Co., Ltd. Supervisor, Sunplus App Tech. Director, Beijing Sunplus-Ehue Technology Co., Ltd. Supervisor, Sunplus Prof-tek Technology(Shenzhen) Co., Supervisor, Sunmedia Tech. Supervisor, Chongqing Shuangxin Technology Co.,Ltd.	—	—	—	—

Note 1: The reason why the chairman serve as CEO concurrently is for future development, higher operation efficiency and enhancing decision making. The company has set up four independent directors to improve the board 'competency and enhance supervising function; and a majority of directors do not concurrently serve as an employee or managerial officer ; therefore, the board keeps objective in making decision.

Note 2: Chang, Deng-Kai was the representative of Corp.director from 2013.09.25 to 2022.06.24. Corp. director, Pao Shin International Investment Co., Ltd. was discharged after election on June 29, 2022.

Note 3: The positions of Pao Shin Int'l Investment Co., Ltd. held concurrently in the company and in any other company

Director of Ennoconn Technology Co., Ltd.

Director of Arrora Telecom Corporation

Director of Foxnum Technology Co., Ltd.

Supervisor of Hyield Venture Capital Co., Ltd.

Chairman of Dynamic Computing Technology Co., Ltd.

Chairman of Hon Hai Investment Management Consulting Co., Ltd.

Chairman of Hon Hai International Investment Co., Ltd.

Director of Altus Technology Inc..

Supervisor of ZEPT Corporation

Chairman of Asia Pacific Telecom Co., Ltd.

Director of XSemi Corporation

Director of Simplo Technology Co., Ltd

Note 4: Pao Shin International Investment Co., Ltd.& its representative Huang, Yu-Liang were discharged after election on June 29, 2022.

2. Information disclosure on the professional qualifications of the directors, and state of independence of the independent directors

May 12, 2023

Criteria Name	Professional qualifications and experiences	State of independence	Number of public companies in which Independent Directors also hold positions
Director Fang, Jung-Hsi	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, or other areas required by the company business. • Masters, Department of Materials Science and Engineering, National Tsing Hua University • Previously served as Sales Director of Allied Material Technology Corp., Director of Innolux Corporation, GM of Advanced Optoelectronic Technology., • Is not under any of the circumstances as described in Article 30 of the Company Act. 	Not applicable	None
Director Chuang, Hong-Jen	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Masters, Department of Accounting, Soochow University • Previously served as Chairperson of Innolux Corporation, Chairperson of Advanced Optoelectronic Technology., Chairperson of GIS. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	Not applicable	None
Director Chang, Deng-Kai	<ul style="list-style-type: none"> • Possesses work experiences in commercial, legal or other areas required by the company business. • Masters in Business Administration, Daito Bunka University in Japan. • Previously served as General Director of CEO Office, Chimei Innolux Corporation. Currently, is serving as Chairperson and President of Century Technology (shenzhen) Corporation limited. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	Not applicable	None

<p>Independent Director Liu, Shi-Heh</p>	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Masters, Department of Finance, National Taiwan University. • Previously served as Specialist of Taiwan Stock Exchange Corporation, Bureau of Foreign Trade, Sales Vice President of Fubon Securities Co., Ltd., Chairperson of Empire Vision, Chairperson of Unicon Optical Co., Ltd. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • The Director, his/her spouse, and relatives within the second degree of kinship do not hold Company shares. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Liu, Shi-Heh meets the independence status. 	<p>None</p>
<p>Independent Director Yu, Hsiang-Tun</p>	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Faculty of Business and Commerce, Keio University. • Previously served as Section Manager, Sales Department, Yamaichi Securities Co., Ltd., GM of Singapore Yamaichi Merchant Bank, Section Manager, Trust and Custody Department, Merrill Lynch Japan, Head of Legal Department, PGIM Japan, Deputy Head of International Management Department, Daiwa Securities Group Inc. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • Holds company shares for 4,000 shares, with shareholding at 0.003%. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Yu, Hsiang-Tun meets the independence status. 	<p>None</p>

<p>Independent Director Charles W. Tu</p>	<ul style="list-style-type: none"> • An instructor or higher in a department related to the business needs of the company in a public or private junior college, college, or university. • PhD, School of Engineering & Applied Science, Yale University, USA. • Previously served as Researcher, AT&T Bell Labs, Head of Computer Science & Engineering Department, University of California, San Diego. Currently serving as Honorary Professor, University of California, San Diego, Yushan Scholar, National Chung Hsing University. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • The Director, his/her spouse, and relatives within the second degree of kinship do not hold Company shares. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Charles W. Tu meets the independence status. 	<p>None</p>
<p>Independent Director Wang, Shu-Lan</p>	<ul style="list-style-type: none"> • Possesses work experiences in commercial, finance, accounting or other areas required by the company business. • Master of Business Administration, California Miramar University. • Previously served as Special Assistant to Chairperson, Sunplus Technology Co., Ltd. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • The Director, his/her spouse, and relatives within the second degree of kinship do not hold Company shares. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Wang, Shu-Lan meets the independence status. 	<p>None</p>

3. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors

A. Diversity policy of the Board of Directors:

According to Article 20 of the Company's Corporate Governance Best Practice Principles: Diversity shall be considered for the composition of the Board of Directors. Besides directors who are concurrently acting as the company's managers which should not account for more than one-third of the seats of the board members, an appropriate diversity policy should be formulated for the operations, operation pattern, and development needs of the company. It is advisable that the policy include, without being limited to, the following two general standards:

- (A) Basic requirements and values: Gender, age, nationality, and culture.
- (B) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

Each Board member shall have the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goals of corporate governance, the overall skills that the board shall possess are as below:

- (A) Operation Judgment Skills.
- (B) Accounting and Financial Analysis Skills.
- (C) Management Administration Skills.
- (D) Crisis Handling Skills.
- (E) Industry Knowledge.
- (F) International Market Perspectives.
- (G) Leadership Skills.
- (H) Strategic Decision Skills.

B. Specific management goals:

The selection of the Company's board members is not restricted by gender, age, nationality and cultural background. The selection considers one's professional background and diverse skills in meeting the needs of the company operations and the results of corporate governance. However, as per the corporate governance trend, the requirements for seats for female directors and independent directors are added to the most recent re-election of directors.

C. State of implementation:

There is a total of 7 board members for the 10th Board of Directors. The members come from various professional backgrounds in law, industry, finance, marketing, and technology. In their different professional background, they possess various professional skills in business management and leading strategic decisions, operations judgement and crisis handling, accounting and financial analysis skills, industry knowledge, and international market perspectives, exhibiting diverse complementary results. All of the Directors are of Republic of China nationality, and their ages span from 53 to 72 years old. There is 1 director who is concurrently the company's manager, and the percentage of the directors with employee status stands at 14%. There are 4 independent directors who account for 57% of the board members, including 1 female director, accounting for 14% of all directors. The number of years served by the independent directors is less than 9 years, meeting the independence principles.

State of implementation on related diversity policy is as in the table below:

Items Name	Professional background					Professional skills				
	Legal	Industry	Finance and accounting	Marketing	Tech.	Business management and leading strategic decisions	Operations judgement and crisis handling	Accounting and Financial Analysis Skills	Industry Knowledge	Int'l Market Perspectives
Fang, Jung-Hsi	V	V		V	V	V	V		V	V
Chuang, Hong-Jen	V	V	V	V	V	V	V	V	V	V
Chang, Deng-Kai	V	V		V	V	V	V		V	V
Liu, Shi-Heh	V		V	V		V	V	V		V
Yu, Hsiang-Tun	V		V	V		V		V		V
Charles W. Tu		V			V	V			V	V
Wang, Shu-Lan		V	V	V		V		V	V	V

Current state of achievement for management goals:

In June 2022, conducted re-election of directors at the shareholders' meeting. The number of independent directors had increased from 3 seats to 4 seats. Among which, one seat is held by a female board member, achieving the management goal. The Company's board member composition has achieved the goals of its diversity policy.

(2) Independence of the Board of Directors:

The re-election of directors was carried out in the shareholders' meeting during June 2022. The number of independent directors had increased from 3 seats to 4 seats, with one being held by a female board member. There have been no circumstances of spouses or relatives within two degree of kinship among the directors, and there have been no circumstances as stated in Paragraph 3 and 4 of Article 26-3 of the Taiwan Securities and Exchange Act.

(II) Information of Management Team

May 12, 2023

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					No. of shares	%	No. of shares	%	No. of shares	%			Job title	Name	Relationship	
CEO	ROC	Fang, Jung-Hsi	M	2018.08.09	1,007,000	0.70%	—	—	3,350,000	2.32%	Masters, Department of Materials Science and Engineering, National Tsing Hua University Sales Dept. Head of Allied Material Technology Corp. Director of Innolux Corporation GM, Advanced Optoelectronic Tech.	Chairman, Asphetek Solution Director, Advanced Optoelectronic Technology Holding LTD Director, AOT Holding LTD Director, Elux Inc. Chairman, Chi-Yu Investment Director, Epileds Technologies	—	—	—	1
General Manager	ROC	Huang, Yu-Liang	M	2018.08.09	1,000,000	0.69%	—	—	—	—	Bachelor of Mechanical Engineering, National Taiwan University of Science and Technology Manager, Chi Mei Electronics	President & General Manager, Zhanjing Technology (Shen Zhen) LTD Director, Asphetek Solution Inc.	—	—	—	—
Special Assistant Dept. of New Tech.Development	ROC	Tseng, Wen-Liang	M	2019.01.02	—	—	—	—	—	—	Master, Medical Electronics Group, Institute of Medical Engineering, Yangming Medical College Project manager, Optotech Corp.	—	—	—	—	—
Special Assistant Div. of Backlight Quality Management	ROC	Pan, Chen-wang	M	2019.01.02	—	—	—	—	—	—	Master, Department of Physics, National Taiwan University Dept head, Wellypower Optronics Dept head, Lextar Electronics	—	—	—	—	2
Director BU of Backlight	ROC	Lo, Shih-siang	M	2021.04.06	—	—	—	—	—	—	EMBA, National Cheng Kung University. Business Specialist, Zyxel Technology	—	—	—	—	—
Director BU of Automotive	ROC	Ho, Hsing-Wei	M	2022.01.01	—	—	—	—	—	—	Bachelor, Dept .of Industrial Engineering, Feng Chia University Dept head, Edison Optoelectronics	—	—	—	—	—
Director BU of Sensor	ROC	Chen, Bin-Chuan	M	2021.04.06	—	—	—	—	—	—	Bachelor, Department of Chemical Engineering, Taipei University of Technology Senior Engineer, Baiteng Technology	—	—	—	—	3

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					No. of shares	%	No. of shares	%	No. of shares	%			Job title	Name	Relationship	
Director Operation Management Center	ROC	Yao, Chin-Hsing	M	2021.04.06	—	—	—	—	—	—	Master, Industrial Engineering and Management, Chunghua University Dept head, Wang Falcon Technology	—	—	—	—	—
Director Div. of Strategic Cost Management	ROC	Hsu, Yu- Mei	F	2021.04.06	—	—	—	—	—	—	Bachelor, Dept. of Accounting, Chung Yuan University Manager, Longtai Enterprise Co., Ltd.	—	—	—	—	4
Div. Head of GM office	ROC	Chen, Chang-Ho	M	2015.08.31	—	—	—	—	—	—	Ph.D. in Materials Mechanics, Duke University, USA Dept head, R&D and Marketing, Walsin Lihwa RD Director, Lixu Optoelectronics	—	—	—	—	—
Div. Head of F&A and Investment Management	ROC	Cheng, Chen- Hsun	M	2011.05.13	518,000	0.36%	—	—	—	—	Bachelor, Dept. of International Business, National Taiwan University Accounting Manager, Innolux Corp.	Director, Epileds Technologies, Supervisor, Asphetek Solution Inc. Director, Hua Yang Precision Machinery Co., Ltd.	—	—	—	—

Note 1: The reason why the chairman serves as CEO concurrently is for future development, higher operation efficiency and enhancing decision making. The company has set up four independent directors to improve the board' competency and enhance supervising function; and a majority of directors do not concurrently serve as an employee or managerial officer; therefore, the board keeps objective in making decision.

Note 2: Pan, Chen-Kwang resigned in July, 2022

Note 3: Chen, Bin-Chuan resigned in September, 2022

Note 4: Hsu, Yu- Mei resigned in December, 2022

III. Remuneration paid to Directors, Supervisors and management team in the most recent fiscal year

(I) Remuneration paid to Directors

Unit: NT\$ thousand; Shares: thousand

Job title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base Compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	Cash	Stock	Cash	Stock	The Company	All consolidated entities	
Chairman	Fang, Jung-Hsi	120	120	-	-	-	-	-	-	120 -0.08%	120 -0.08%	3,915	3,915	-	-	-	-	-	-	4,035 -2.86%	4,035 -2.86%	155
Director	Pao Shin Int'l Investment Co., Ltd. (Note 1)	120	120	-	-	-	-	-	-	120 -0.08%	120 -0.08%	-	-	-	-	-	-	-	-	120 -0.08%	120 -0.08%	None
	Representative: Chang, Deng-Kai (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Representative: Huang, Yu-Liang (Note 1)	-	-	-	-	-	-	-	-	-	-	3,249	3,249	108	108	-	-	-	-	3,357 -2.38%	3,357 -2.38%	None
Director	Chuang, Hong-Jen	120	120	-	-	-	-	-	-	120 -0.08%	120 -0.08%	-	-	-	-	-	-	-	-	120 -0.08%	120 -0.08%	143
Director	Chang, Deng-Kai (Note 2)	60	60	-	-	-	-	-	-	60 -0.04%	60 -0.04%	-	-	-	-	-	-	-	-	60 -0.04%	60 -0.04%	None
Independent Director	Liu, Shi-Heh	360	360	-	-	-	-	30	30	390 -0.28%	390 -0.28%	-	-	-	-	-	-	-	-	390 -0.28%	390 -0.28%	None
Independent Director	Yu, Hsiang-Tun	360	360	-	-	-	-	30	30	390 -0.28%	390 -0.28%	-	-	-	-	-	-	-	-	390 -0.28%	390 -0.28%	None
Independent Director	Charles W. Tu	360	360	-	-	-	-	30	30	390 -0.28%	390 -0.28%	-	-	-	-	-	-	-	-	390 -0.28%	390 -0.28%	None
Independent Director	Wang, Shu-Lan (Note 3)	182	182	-	-	-	-	20	20	202 -0.14%	202 -0.14%	-	-	-	-	-	-	-	-	202 -0.14%	202 -0.14%	None

1. Please describe the policy, system, standards and structure in place for paying remuneration to independent directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid;
(1) The remuneration paid to independent directors is according to the company's Articles of Incorporation and resolved by the Remuneration Committee.
(2) The remuneration of independent directors includes monthly compensation and Traveling expenses according to the individual responsibility and the standard of the same industry.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None.

None 1: Corp. director Pao Shin International Investment Co., Ltd. was discharged after election on June 29, 2022.

None 2: Chang, Deng-Kai was elected to be director as nature person after June 29, 2022.

None 3: Wang, Shu-Lan was a new independent director after June 29, 2022.

(II) Remuneration paid to Supervisors: Not applicable.

(III) Remuneration paid to the Management Team

Unit: NT\$ thousand

Job title	Name	Salary(A)		Retirement pay and pension (B)		Rewards, and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Fang, Jung-Hsi	3,788	3,788	-	-	127	127	-	-	-	-	3,915 -2.77%	3,915 -2.77%	155
General Manager	Huang, Yu- Liang	3,184	3,184	108	108	65	65	-	-	-	-	3,357 -2.38%	3,357 -2.38%	None

(IV) Remuneration to the Five Highest Remunerated Management Personnel

Unit: NT\$ thousand

Job title	Name	Salary (A)		Retirement pay and pension (B)		Rewards, and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Fang, Jung-Hsi	3,788	3,788	-	-	127	127	-	-	-	-	3,915 -2.77%	3,915 -2.77%	155
General Manager	Huang, Yu- Liang	3,184	3,184	108	108	65	65	-	-	-	-	3,357 -2.38%	3,357 -2.38%	None
Director Operation Management Center	Yao, Chin-Hsing	2,217	2,217	108	108	31	31	-	-	-	-	2,356 -1.67%	2,356 -1.67%	None
Director BU of Automotive	Ho, Hsing-Wei	2,189	2,189	108	108	21	21	-	-	-	-	2,318 -1.64%	2,318 -1.64%	None
Div. Head of GM office	Chen, Chang-Ho	2,204	2,204	108	108	1	1	-	-	-	-	2,313 -1.64%	2,313 -1.64%	None

(V) Employee compensation to the management team

Unit: NT\$ thousand

	Title	Name	Employee compensation in stock	Employee compensation in cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	Fang, Jung-Hsi	0	0	0	0
	General Manager	Huang, Yu- Liang				
	Director BU of Backlight	Lo, Shih-Hsiang				
	Director Operation Management Center	Yao, Chin-Hsing				
	Director BU. of Sensor	Chen, Bin-Chuan (Note1)				
	Director BU of Automotive	Ho, Hsing-Wei				
	Director Div of Strategic Cost Management	Hsu, Yu-Mei (Note 2)				
	Div Head of F&A and Investment Management	Cheng, Chen-Hsun				
	Special Assistant Div. of Backlight Quality Management	Pan, Chen-Kwang (Note 3)				
	Special Assistant Dept. of New Technology Development	Tseng, Wen-Liang				
	Div. Head of GM office	Chen, Chang-Ho				

Note 1: Chen, Bin-Chuan resigned in Sep, 2022.

Note 2: Hsu, Yu- Mei resigned in Dec, 2022.

Note 3: Pan, Chen-Kwang resigned in July, 2022.

(VI) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents and vice presidents, and analyze.

Year	2021		2022	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
The total amount of remuneration paid to Directors, Supervisors, presidents and vice presidents	13.79%	13.79%	-6.42%	-6.42%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) The remuneration paid to directors and supervisors is according to the company's Articles of Incorporation and resolved by the Remuneration Committee. The Remuneration paid to presidents and vice presidents is according to the company's regulations of personnel matters and resolved by the Remuneration Committee.
- (2) Management compensation includes fixed salary, bonus, allowance and employee compensation. The contents of compensation are according to the professional skill, responsible fields and the benchmark comparing industry peers' similar positions.
- (3) The adjustment of salary and the allocation of bonus and profit sharing are planned according to the company's business results and personal performance. The above plan shall be approved by the Remuneration Committee before implementation.

IV. Implementation of Corporate Governance:

(I) Information on implementation of Board of Directors:

Six meetings (A) (2 times before election, 4 times after election) were held by the Board of Directors in the most recent year (2022) with their attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Fang, Jung-Hsi	6	0	100%	2022.06.29 renewal
Director	Chuang, Hong-Jen	5	1	83%	2022.06.29 renewal
Director	Chang, Deng-Kai	2	0	50%	2022.06.29 new on board
Independent Director	Liu, Shi-Heh	6	0	100%	2022.06.29 renewal
Independent Director	Yu, Hsiang-Tun	6	0	100%	2022.06.29 renewal
Independent Director	Charles W. Tu	6	0	100%	2022.06.29 renewal
Independent Director	Wang, Shu-Lan	4	0	100%	2022.06.29 new on board
Director	Pao Shin International Investment Co., Ltd. Huang, Yu-Liang	2	0	100%	2022.06.29 discharge
Director	Pao Shin International Investment Co., Ltd. Chang, Deng-Kai	2	0	100%	2022.06.29 discharge

Other noteworthy matters:

1. The Board Meeting's date, session, contents of motions , all Independent Directors' opinions and the Company's actions in response to the opinions if any of the following occurred:

(1) Matters specified in Article 14-3 of Securities and Exchange Act

Date	Session	Contents of Motions	Independent Directors' opinions	the Company's actions in response to the opinions	Resolution
2022.03.17	The 17th meeting of the 9th Board	<ul style="list-style-type: none"> ● The appointment of the current CPAs of "Pricewaterhouse Coopers" to continue serving as the Company's CPAs. ● The change of CPAs to CPAs, Lin, Po-Chuan and Chang, Shu-Chiung starting from Q1,2022 due to internal organizational adjustment of the CPA firm. ● The agreement to sign the "Derivatives Trading" contract with the bank in the second quarter of 2022. ● The amendments to the Company's "Corporate Governance Best Practice Principles." ● The proposal of increasing investment in EPILEDS TECHNOLOGIES, INC.. ● The amendments to the "Procedures for Acquisition and Disposal of Assets" of the Company. 	None	None	Approved by all Directors
2022.05.09	The 18th meeting of the 9th Board	<ul style="list-style-type: none"> ● The agreement to sign the "Derivatives Trading" contract with the bank in the third quarter of 2022. ● The motion to establish the subsidiary "Asphetek Solution Inc." in Taiwan and its subsidiary in China. 	None	None	Approved by all Directors
2022.08.04	The 2nd meeting of the 10th Board	<ul style="list-style-type: none"> ● The amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information." ● The agreement to sign the "Derivatives Trading" contract with the bank in the fourth quarter of 2022. 	None	None	Approved by all Directors
2022.11.07	The 3rd meeting of the 10th Board	<ul style="list-style-type: none"> ● Amendments to the Company's "Rules of Procedure for Board of Directors Meetings." ● The amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information." ● The amendments to the "Regulations Governing the 	None	None	Approved by all Directors

Date	Session	Contents of Motions	Independent Directors' opinions	the Company's actions in response to the opinions	Resolution
		Preparation of Financial Statements" by the Company. <ul style="list-style-type: none"> ● The agreement to sign the "Derivatives Trading" contract with the bank in the first quarter of 2023. ● The change of the audit supervisor. 			
2022.12.20	The 4th meeting of the 10th Board	<ul style="list-style-type: none"> ● The change of the audit supervisor. ● The internal audit plan for 2023. ● The amendments to the Company's "Corporate Governance Best Practice Principles." ● The signing of the patent licensing contract between the Company and GE. 	None	None	Approved by all Directors

(2) Other matters apart from the aforementioned where an independent director has a dissenting opinion or qualified opinion: None

2. Effort made by directors in preventing Conflict of Interests when required (the name of directors, the contents of motion, the reasons of preventing conflict of interests and the resolutions shall be noted if any): None.

3. The Board of Directors Evaluation and Implementation

Cycles	Once a year and completed before the end of first Quarter of the next year	
Period	2022.1.1~2022.12.31	
Scope	The performance evaluation of the entire board of directors and the individual director	
Method	Self evaluation of the performance of the board of directors and the individual director	
Content	The self- evaluation of the board of directors	The self- evaluation of the individual director
	<ul style="list-style-type: none"> ● The degree of participation in the company's operations ● Improvement of board decision quality ● The composition and structure of the board of directors ● The selection and continuing education of directors ● Internal control 	<ul style="list-style-type: none"> ● Understanding of the Company's goals and mission ● Awareness of directors' duties ● The degree of participation in the company's operations ● Internal relationship management and communication ● Continuing education of directors ● Internal control

4. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years:

(1) The company adopted "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to set up "The Meeting Rules of the Board of Directors" to follow up. The company will announce the attendance of the directors in MOPS.

(2) In order to enhance the openness of information, the important resolutions of the board of directors are announced in Material Information of MOPS.

(3) The company arranges the members of the Board of Directors continuing education to enhance the competency of directors. The information of courses of 2022 is as the followings:

Title	Name	Date		Host	Name of course	hours
		From	To			
Chairman	Fang, Jung-Hsi	2022/07/26	2022/07/26	Corporate operating and sustainable development association certificate of training	Discussion of Taiwanese firms' operating and M&A strategy from the perspective of global political and economic situation	3.0
		2022/07/28	2022/07/28	Corporate operating and sustainable development association certificate of training	Case study of the regulation of insider trading	3.0
Director	Chuang, Hong-Jen	2022/07/26	2022/07/26	Corporate operating and sustainable development association certificate of training	Discussion of Taiwanese firms' operating and M&A strategy from the perspective of global political and economic situation	3.0
		2022/07/28	2022/07/28	Corporate operating and sustainable development association certificate of training	Case study of the regulation of insider trading	3.0
Director	Chang, Deng-Kai	2022/07/26	2022/07/26	Corporate operating and sustainable development association certificate of training	Discussion of Taiwanese firms' operating and M&A strategy from the perspective of global political and economic situation	3.0
		2022/07/28	2022/07/28	Corporate operating and sustainable development association certificate of training	Case study of the regulation of insider trading	3.0
Independent Director	Liu, Shi-Heh	2022/06/20	2022/06/20	Accounting Research and Development Foundation	From the point of view of Securities & Exchange Act, discussing about how the independent directors to exercise power appropriately and the Audit Committee	3.0
		2022/07/07	2022/07/07	Securities and Futures Institute	The prospect of metaverse and Non-Fungible Token0	3.0
Independent Director	Yu, Hsiang-Tun	2022/07/26	2022/07/26	Corporate operating and sustainable development association certificate of training	Discussion of Taiwanese firms' operating and M&A strategy from the perspective of global political and economic situation	3.0
		2022/07/28	2022/07/28	Corporate operating and sustainable development association certificate of training	Case study of the regulation of insider trading	3.0
		2022/08/05	2022/08/05	Taiwan Corporate Governance Association	The Risks and opportunities of Business Operation from the trend of Climate change and Energy policy	3.0

Independent Director	Charles W. Tu	2022/07/26	2022/07/26	Corporate operating and sustainable development association certificate of training	Discussion of Taiwanese firms' operating and M&A strategy from the perspective of global political and economic situation	3.0
		2022/07/28	2022/07/28	Corporate operating and sustainable development association certificate of training	Case study of the regulation of insider trading	3.0
Independent Director	Wang, Shu-Lan	2022/08/24	2022/08/24	Corporate operating and sustainable development association certificate of training	Strategy and management of enterprise upgrade and transformation	3.0
		2022/08/31	2022/08/31	Corporate operating and sustainable development association certificate of training	The importance of intellectual property management to corporate governance	3.0
		2022/10/25	2022/10/25	Corporate operating and sustainable development association certificate of training	New thought of risk management in the digital transformation for future	3.0
		2022/10/27	2022/10/27	Corporate operating and sustainable development association certificate of training	Global tax reform and corporate tax governance from the perspective of ESG trends and the epidemic environment	3.0

(II) Information on operation of Audit Committee or supervisors:

1. Operation status of the Audit Committee

(1) Professional knowledge and experience of the Audit Committee

May 12, 2023

Criteria		Professional qualifications and experiences
Title	Name	
Independent Director	Liu, Shi-Heh	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Masters, Department of Finance, National Taiwan University. • Previously served as Specialist of Taiwan Stock Exchange Corporation, Bureau of Foreign Trade, Sales Vice President of Fubon Securities Co., Ltd., Chairperson of Empire Vision, Chairperson of Unicon Optical Co., Ltd. • Is not under any of the circumstances as described in Article 30 of the Company Act.
Independent Director	Yu, Hsiang-Tun	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Faculty of Business and Commerce, Keio University. • Previously served as Section Manager, Sales Department, Yamaichi Securities Co., Ltd., GM of Singapore Yamaichi Merchant Bank, Section Manager, Trust and Custody Department, Merrill Lynch Japan, Head of Legal Department, PGIM Japan, Deputy Head of International Management Department, Daiwa Securities Group Inc. • Is not under any of the circumstances as described in Article 30 of the Company Act.
Independent Director	Charles W. Tu	<ul style="list-style-type: none"> • An instructor or higher in a department related to the business needs of the company in a public or private junior college, college, or university. • PhD, School of Engineering & Applied Science, Yale University, USA. • Previously served as Researcher, AT&T Bell Labs, Head of Computer Science & Engineering Department, University of California, San Diego. Currently serving as Honorary Professor, University of California, San Diego, Yushan Scholar, National Chung Hsing University. • Is not under any of the circumstances as described in Article 30 of the Company Act.
Independent Director	Wang, Shu-Lan	<ul style="list-style-type: none"> • Possesses work experiences in commercial, finance, accounting or other areas required by the company business. • Master of Business Administration, California Miramar University. • Previously served as Special Assistant to Chairperson, Sunplus Technology Co., Ltd. • Is not under any of the circumstances as described in Article 30 of the Company Act.

(2) Annual major matters of the Audit Committee:

- a. The main function of the Audit Committee is to assist the Board and implement the responsibility authorized by the Company Act, the Securities and Exchange Act, and any other related laws.

- b. The Company has adopted “Audit Committee Charter” to follow up and the charter is disclosed in MOPS. <https://mops.twse.com.tw/nas/STR/343720200325PK001.pdf>.
- c. Annual major matters are as following:
- The adoption of or amendments to the internal control system.
 - Assessment of the effectiveness of the internal control system.
 - The adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
 - Review the matters in which a director is an interested party.
 - Review the asset transactions or derivatives trading of a material nature.
 - Review the loans of funds, endorsements, or provision of guarantees of a material nature.
 - The offering, issuance, or private placement of equity-type securities.
 - The hiring or dismissal of a certified public accountant, or their compensation.
 - The appointment or discharge of a financial, accounting, or internal audit officer.
 - Review the annual and second quarter financial reports.
 - Review the business report and the proposal of profit distribution or deficit compensation.
 - Review the other material matters as may be required by this company or by the competent authority.

(3) Information of the operation of the Audit Committee

In the most recent year, the Audit Committee held 5 meetings(A)(2 times before election, 3 times after election) and the attendance of Independent Directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Liu, Shi-Heh	5	0	100%	—
Independent Director	Yu, Hsiang-Tun	5	0	100%	—
Independent Director	Charles W. Tu	5	0	100%	—
Independent Director	Wang, Shu-Lan	3	0	100%	2022.06.29 new on board

Other noteworthy matters:

1. When one of the following situations occurred to the operations of the Audit Committee, state the date, period, proposal contents, independent directors opinion, opinion with reservations or significant recommendation and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee:

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

Date	Period	Proposal contents	Independent directors opinion, opinion with reservations or significant recommendation	Resolutions of the Audit Committee	The Company's actions in response to the opinions of the Audit Committee
2022.03.17	The 15th meeting of the 3rd Committee	<ul style="list-style-type: none"> ● The Company's internal control statement of 2021. ● The Company's 2021 consolidated and parent company only financial statements. ● The appointment of the current CPAs of "PricewaterhouseCoopers" to continue serving as the Company's CPAs. ● The change of CPAs to CPAs, Lin, Po-Chuan and Chang, Shu-Chiung starting from Q1, 2022 due to internal organizational adjustment of the CPA firm. ● The agreement to sign the "Derivatives Trading" contract with the bank in the second quarter of 2022. ● The amendments to the Company's "Corporate Governance Best Practice Principles." ● The proposal of increasing investment in Epileds Technologies, Inc. ● The amendments to the "Procedures for Acquisition and Disposal of Assets" of the Company. 	None	Approved by all the members of the Audit Committee	None
2022.05.09	The 16th meeting of the 3rd Committee	<ul style="list-style-type: none"> ● The Company's consolidated financial statements for the first quarter of 2022. ● The agreement to sign the "Derivatives Trading" contract with the bank in the third quarter of 2022. ● The motion to establish the subsidiary "Asphetek Solution Inc." in Taiwan and its subsidiary in China. 	None	Approved by all the members of the Audit Committee	None
2022.08.04	The 1st meeting of the 4th Committee	<ul style="list-style-type: none"> ● The Company's consolidated financial statements for the second quarter of 2022. ● The amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information." ● The agreement to sign the "Derivatives Trading" contract with the bank in the fourth quarter of 2022. 	None	Approved by all the members of the Audit Committee	None
2022.11.07	The 2nd meeting of the 4th Committee	<ul style="list-style-type: none"> ● The Company's consolidated financial statements for the third quarter of 2022. ● The amendments to the Company's "Rules of Procedure for Board of Directors Meetings." ° 	None	Approved by all the members of the Audit Committee	None

Date	Period	Proposal contents	Independent directors opinion, opinion with reservations or significant recommendation	Resolutions of the Audit Committee	The Company's actions in response to the opinions of the Audit Committee
		<ul style="list-style-type: none"> ● The amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information." ● The amendments to the "Regulations Governing the Preparation of Financial Statements" by the Company. ● The agreement to sign the "Derivatives Trading" contract with the bank in the first quarter of 2023. ● The change of the audit supervisor. 			
2022.12.20	The 3rd meeting of the 4th Committee	<ul style="list-style-type: none"> ● The change of the audit Supervisor. ● The internal audit plan for 2023. ● The amendments to the Company's "Corporate Governance Best Practice Principles." ● The signing of the patent licensing contract between the Company and GE. 	None	Approved by all the members of the Audit Committee	None

(2) Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item:None.

2. For the recusal of independent directors to the proposals with interest conflicts, the name of independent director(s), description of proposal, reason of recusal, and the status of voting participation shall be specified: None.

3. Communications between the Independent Directors, and the head of internal audit and the CPAs:

(1) Communications between the independent directors (members of the Audit Committee) and the head of internal audit:

Regularly:

Monthly: The internal audits are conducted on a monthly basis in accordance with the annual audit plan. The audit report shall be handed to the independent directors for reviews. Any questions or instructions arising from the reviews will be directed to the head of internal audit.

Quarterly: The head of the internal audit will be listed as being in non-voting attendance of the board meeting to report on the operation status for the audit activities. (The contents of the report include: The state of implementation for the annual audit report, the improvement matters and subsequent improvement follow-ups to be conducted).

Yearly: The head of internal audit is listed as being in non-voting attendance for the Audit Committee meeting to report on the contents of the audit plan for the following year and the self-evaluation results for the internal control system of the previous year.

Irregularly:

The head of internal audit is listed as being in non-voting attendance for the Audit Committee meeting to report on the amendments to the Enforcement Rules of the Internal Control System and Internal Audit Implementation. The independent directors can discuss questions relating to the company's internal control or legal compliance at any time with the head of internal audit. If the head of internal audit discovers any unusual situations, he/she may also report to the independent directors at any time.

©The communications events in the most recent year are as below:

Date	Method of communication	Key points of communication	Results or opinions arising from the communication
2022/03/17	Audit Committee	2021 self-evaluation results report for internal control.	No opinions.
2022/03/17	Board of Directors	1. 2021 Q4 internal audit matters report. 2. Self-prepared financial statements report. 3. 2021 self-evaluation results report for internal control.	No opinions.
2022/05/09	Board of Directors	1. 2022 Q1 internal audit matters report. 2. Self-prepared financial statements report.	No opinions.
2022/08/04	Board of Directors	1. 2022 Q2 internal audit matters report. 2. Self-prepared financial statements report.	No opinions.
2022/11/07	Audit Committee	Report on financial statements preparation.	No opinions.
2022/11/07	Board of Directors	1. 2022 Q3 internal audit matters report. 2. Self-prepared financial statements report.	No opinions.
2022/12/20	Audit Committee	1. Report on the improvement plan for the financial statements preparations process. 2. 2023 Internal Audit Plan.	No opinions.
2022/12/20	Board of Directors	1. Report on the improvement plan for the financial statements preparations process. 2. 2023 Internal Audit Plan.	No opinions.

(2) Communications between the independent directors and the CPAs:

Regularly:

Yearly: The Company's CPAs communicate with the Audit Committee members on governance matters covering the annual audit planning and the completed stages. The CPAs will notify every audit committee member in written form or by holding meeting. The matters listed below are included:

- a. Communication plan
- b. The role and responsibilities of the Chief CPA
- c. Audit plan
- d. Independence of CPAs
- e. Communication items with the corporate governance unit at the completion stage
- f. Significantly adjusted entries or unadjusted entries
- g. Information of related parties
- h. Declaration statement by the customer

Irregularly:

When the audit committee members have questions on the company's financial standing or internal control system, they can inquire and discuss with the CPAs at any time.

©Record on communications in the most recent year and as of the annual report publication date:

Date	Method of communication	Key points of communication	Results or opinions arising from the communication
2022/08/04	In-person meetings	Meeting with the governance unit on the completed review for the 2022 Q3 financial statements.	No opinions.
2022/12/20	In-person meetings	Meeting between CPAs and the governance unit on the 2022 annual financial statements audit planning stages.	No opinions.

2. Information on the supervisors' participation in the board operations: Not applicable.

(III) The difference between the corporate governance implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Assessment items	Operation status			Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
I. Has the Company established and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?"	✓		On December 20, 2013, the Board of Directors established the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed it on the MOPS and the Company's website.	None
II. The Company's shareholding structure and shareholders' equity				
(I) Does the company establish internal operating procedures for handling shareholders' suggestions, questions, disputes and litigations, and implement the procedures accordingly?	✓		(I) The Company has established the "Corporate Governance Best Practice Principles" to handle shareholders' suggestions, questions, disputes, and litigations in accordance with the "Corporate Governance Best Practice Principles." The Company has a spokesperson and an acting spokesperson to handle shareholders' suggestions or disputes and so on problems.	
(II) Does the company keep track of its major shareholders and the parties with ultimate control over its major shareholders?	✓		(II) The Company keeps track of the list of the Company's major shareholders and their ultimate controller.	None
(III) Has the Company established and implemented risk control and firewall mechanisms with its affiliates?	✓		(III) The Company's dealings with affiliates are carried out in accordance with relevant laws and regulations and the Company's internal control system.	
(IV) Does the Company establish internal norms to prohibit insiders from utilizing undisclosed information to trade securities?	✓		(IV) The Company established the "Procedures for Handling Material Inside Information and the Reporting of Insiders" to prohibit insiders from utilizing undisclosed information to trade securities.	

Assessment items	Operation status			Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
<p>III. Composition and duties of the Board of Directors</p> <p>(I) Does the Board of Directors formulate and implement a diversity policy and specific management goals?</p> <p>(II) In addition to the Remuneration Committee and Audit Committee, has the Company set up other functional committees voluntarily?</p> <p>(III) Does the Company have the Regulations Governing the Performance Evaluation of the Board of Directors and the method therefor? Does the Company have the performance evaluation conducted on a regular basis every year, with the results of the performance evaluation reported to the Board of Directors and used as a reference for remuneration and the nomination for re-election?</p>	<p>✓</p> <p></p> <p>✓</p>	<p></p> <p>✓</p> <p></p>	<p>(I) The Board of Directors has formulated the diversity policy and specific management goals and implemented them accordingly. Please refer to the official website of the Company and Attachment 1 (annual report page 39) for relevant information.</p> <p>(II) Apart from the Remuneration Committee and Audit Committee, the Company has not yet set up other types of functional committees, but they will be set up in the future depending on the needs of the Company.</p> <p>(III) The Company's Board of Directors passed the "Regulations Governing the Performance Evaluation of the Board of Directors" on November 12, 2019, under which it is stipulated that the Board of Directors and individual directors shall be evaluated at least once a year. Performance evaluation may be conducted through internal self-assessment, board member self-assessment, peer assessment, appointment of external professional institutions, experts, or other appropriate methods. The evaluation indicators include the level of participation in the Company's operations, improvement of the quality of decision-making of the Board, composition and structure of the Board, election and continuous education of directors, internal control and so forth. The results of the performance evaluation of the Board of Directors will be reported to the Board of Directors and used as a reference for individual directors' compensation and nomination for</p>	<p>None</p>

Assessment items	Operation status			Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		<p>re-election. The performance evaluation results of 2022 have been reported to the Board of Directors on March 10, 2023.</p> <p>(IV) The Company assesses the independence and suitability of the CPAs at least once a year. Reviewed and approved by the Audit Committee and Board of Directors for the latest evaluation on March 10, 2023.</p> <p>The Company evaluates the independence and suitability of the auditors according to the audit quality indicators (AQIs). The evaluation items are based on five aspects: professionalism, quality control, independence, supervision and pioneering ability, as well as the 13 indicators including experience of the AQI audit, training hour, turnover rate, professional support, workload of CPA, audit effort, QC review of cases, QC support capability, non-audit service percentage, familiarity with clients, deficiencies of external inspections and penalties, number of correspondences issued by the competent authority, and innovation plans or initiative.</p> <p>Upon assessment, the results show that both CPAs Lin, Po-Chuan and Chang, Shu-Chiung met the requirements of independence and suitability.</p>	None
IV. Does the Company assign competent and appropriate number of corporate governance personnel, and appoint a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the information needed to perform	✓		The Company's Finance Department concurrently handles affairs related to corporate governance. We have also appointed Chief Financial Officer, Cheng, Chen-Hsun, as Corporate Governance Officer. He is responsible for corporate governance affairs, including providing directors with the information needed to execute their duties, assisting directors in complying with laws, and	None

Assessment items	Operation status			Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
after the end of the fiscal year, and announce and report the Q1, Q2, Q3 financial reports and monthly operation reports before the deadline?			2022 2nd quarter financial statements, announced on August 4, 2022. 2022 3rd quarter financial statements, announced on November 7, 2022. 2022 annual financial statements, announced on March 10, 2023. The monthly revenue are announced before the reporting deadline.	None
VIII. Does the Company have other important information that can help in gaining a better understanding about the operations of corporate governance (including but not limited to the employees' rights, employee care, investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the company)?	✓		(I) Employee rights: The Company adheres to the "integration of labor and management" concept, emphasizes rational and user-friendly management, establishes smooth communication channels, and maintains good labor-management relations, so as to jointly create productivity, profit-sharing and establish stable and harmonious labor-management relations. (II) Employee care: The Company provides Labor and National Health Insurance, group insurance and so on employee related welfare measures. It has established the Employee Welfare Committee to handle various employee welfare matters, organize Family Day, various internal activities, competitions, and stress relieving courses; it actively encourages employees to participate in various training courses and holds regular labor-management meetings to understand the needs of employees and to achieve harmonious labor-management relations. (III) Investor relations: The Company convenes a shareholders' meeting every year in accordance with relevant laws and regulations, giving shareholders ample opportunities to ask questions or make proposals, and establishes a spokesperson system to handle shareholders' suggestions,	None

Assessment items	Operation status		Summary note	Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p>questions, and disputes. The Company also announces and reports information in accordance with the regulations of the competent authority in order to provide investors with information in a timely manner for decision-making.</p> <p>(IV) Relationship with suppliers: The Company maintains good relationship with its correspondent banks and suppliers through smooth channels of communication.</p> <p>(V) The rights of the stakeholders: The Stakeholders section is available on the Company's website. The Company appoints a spokesperson and an acting spokesperson to communicate with stakeholders for the protection of their rights and interests.</p> <p>(VI) Directors' and supervisors' continuing education: The Company's Directors have relevant professional background, practical operation and management experience, and their continuing education has complied with the relevant regulations of the competent authority.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company has established various internal rules and regulations pursuant to laws to conduct various risk assessments and management.</p> <p>(VIII) Implementation of customer policies: The Company maintains good relations with customers by maintaining smooth communication channels.</p> <p>(IX) Insurance against directors' and supervisors' liabilities: The Company has purchased liability insurance for directors to protect</p>	None

Assessment items	Operation status			Deviations and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
			shareholders' interests.	None
<p>IX. Please specify the measures adopted by the Company to improve the items listed in the Corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.</p> <p>1. The company's annual ranking of 2022 governance review result is 51% to 65%; the improvement of evaluating indicators is as follows: Increasing the English information in Corporation website to provide more information to foreign investors and stakeholders.</p> <p>2. Future improvements are as follows: To apply the trend of corporation governance, the company will increase the independent director and female directors' seats.</p>				

Attachment 1: Diversity policy of the Board, Specific management goals and State of implementation

I. Diversity policy of the Board of Directors:

According to Article 20 of the Company's Corporate Governance Best Practice Principles: Diversity shall be considered for the composition of the Board of Directors. Besides directors who are concurrently acting as the company's managers which should not account for more than one-third of the seats of the board members, an appropriate diversity policy should be formulated for the operations, operation pattern, and development needs of the company. It is advisable that the policy include, without being limited to, the following two general standards:

- (I) Basic requirements and values: Gender, age, nationality, and culture.
- (II) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

Each Board member shall have the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goals of corporate governance, the overall skills that the board shall possess are as below:

- (I) Operation Judgment Skills.
- (II) Accounting and Financial Analysis Skills.
- (III) Management Administration Skills.
- (IV) Crisis Handling Skills.
- (V) Industry Knowledge.
- (VI) International Market Perspectives.
- (VII) Leadership Skills.
- (VIII) Strategic Decision Skills.

II. Specific management goals:

The selection of the Company's board members is not restricted by gender, age, nationality and cultural background. The selection considers one's professional background and diverse skills in meeting the needs of the company operations and the results of corporate governance. However, as per the corporate governance trend, the requirements for seats for female directors and independent directors are added to the most recent re-election of directors.

III. State of implementation:

There are a total of 7 board members for the 10th Board of Directors. The members come from various professional backgrounds in law, industry, finance, marketing, and technology. In their different professional background, they possess various professional skills in business management and leading strategic decisions, operations judgement and crisis handling, accounting and financial analysis skills, industry knowledge, and international market perspectives, exhibiting diverse complementary results. All of the Directors are of Republic of China nationality, and their ages span from 53 to 72 years old. There is 1 director who is concurrently the company's manager, and the percentage of the directors with employee status stands at 14%. There are 4 independent directors who account for 57% of the board members, including 1 female director, accounting for 14% of all directors. The number of years served by the independent directors is less than 9 years, meeting the independence principles.

State of implementation on related diversity policy is as in the table below:

Items Name	Professional background					Professional skills				
	Legal	Industry	Finance and accounting	Marketing	Tech.	Business management and leading strategic decisions	Operations judgement and crisis handling	Accounting and Financial Analysis Skills	Industry Knowledge	Int'l Market Perspectives
Fang, Jung-Hsi	V	V		V	V	V	V		V	V
Chuang, Hong-Jen	V	V	V	V	V	V	V	V	V	V
Chang, Deng-Kai	V	V		V	V	V	V		V	V
Liu, Shi-Heh	V		V	V		V	V	V		V
Yu, Hsiang-Tun	V		V	V		V		V		V
Charles W. Tu		V			V	V			V	V
Wang, Shu-Lan		V	V	V		V		V	V	V

Current state of achievement for management goals:

In June 2022, conducted re-election of directors at the shareholders' meeting. The number of independent directors had increased from 3 seats to 4 seats. Among which, one seat is held by a female board member, achieving the management goal. The Company's board member composition has achieved the goals of its diversity policy.

(IV) Organization, responsibilities, and operation status of the Remuneration Committee:

1. Information on members of the Remuneration Committee

May 12, 2023

Criteria		Professional qualifications and experiences	State of independence	Concurrent independent director position in other public companies
Title	Name			
Independent Director (Chairman)	Liu, Shi-Heh	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Masters, Department of Finance, National Taiwan University. • Previously served as Specialist of Taiwan Stock Exchange Corporation, Bureau of Foreign Trade, Sales Vice President of Fubon Securities Co., Ltd., Chairperson of Empire Vision, Chairperson of Unicon Optical Co., Ltd. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • The Director, his/her spouse, and relatives within the second degree of kinship do not hold Company shares. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Liu, Shi-Heh meets the independence status. 	None

Independent Director	Yu, Hsiang-Tun	<ul style="list-style-type: none"> • Possesses work experience in commercial, legal, finance, accounting or other areas required by the company business. • Faculty of Business and Commerce, Keio University. • Previously served as Section Manager, Sales Department, Yamaichi Securities Co., Ltd., President of Singapore Yamaichi Merchant Bank, Section Manager, Trust and Custody Department, Merrill Lynch Japan, Head of Legal Department, PGIM Japan, Deputy Head of International Management Department, Daiwa Securities Group Inc. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • Holds company shares for 4,000 shares, with shareholding at 0.003%. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Yu, Hsiang-Tun meets the independence status. 	None
Independent Director	Charles W. Tu	<ul style="list-style-type: none"> • An instructor or higher in a department related to the business needs of the company in a public or private junior college, college, or university. • PhD, School of Engineering & Applied Science, Yale University, USA. • Previously served as Researcher, AT&T Bell Labs, Head of Computer Science & Engineering Department, University of California, San Diego. Currently serving as Honorary Professor, University of California, San Diego, Yushan Scholar, National Chung Hsing University. • Is not under any of the circumstances as described in Article 30 of the Company Act. 	<ul style="list-style-type: none"> • The Director, his/her spouse, and none of his/her relatives within the second degree of kinship are a Director, Supervisor or employee of the Company or of other affiliated enterprises. • The Director, his/her spouse, and relatives within the second degree of kinship do not hold Company shares. • Does not hold position as a director, supervisor or employee of a designated company that has a specified relationship with the Company. • Has neither provided business, legal, financial, or accounting services to the Company or its affiliates nor has obtained compensation for the aforementioned services in the most recent two years. • The Independent Director Charles W. Tu meets the independence status. 	None

2. Operation status of the Remuneration Committee:

(1) There are 3 members in the Company's Remuneration Committee.

The fifth session term: from June 29, 2022 to June 28, 2025. In the recent year, the Remuneration Committee held 5 meetings (A) (3 times before election, 2 times after election). The attendance is stated as the follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Note
Chairman	Liu, Shi-Heh	5	0	100%	—
Member	Yu, Hsiang-Tun	5	0	100%	—
Member	Charles W. Tu	5	0	100%	—

Other noteworthy matters:

I. If the Board doesn't adopt or amend the Remuneration Committee's proposals, state the date, period, proposal contents, resolutions of the Board of the Directors, and the Company's actions in response to the opinions of the Remuneration Committee (If the resolution of compensation by the Board of Directors is better than the one by the Remuneration Committee, state the difference and the reasons): None.

II. In cases Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.

(3) Annual work focus of the Remuneration Committee:

The Company's Remuneration Committee convenes at least two meetings a year. The function of the committee is to assess the Company's director and manager remuneration policies and systems in a professional and objective manner, and make recommendations to the Board of Directors for reference in decision-making.

The Committee shall exercise the care of a prudent administrator to faithfully perform the following duties, and shall submit its recommendations to the board of directors for discussion:

- Establishment and regular review of annual and long-term performance targets for directors and managers of the Company, as well as the compensation and remuneration policies, systems, standards, and structures.
- Regular assessment of the accomplishment of performance targets by the Company's directors and managers, and to determine the content and amount of individual compensation.

When performing the functions and powers referred to in the above, the Committee shall act according to the following principles:

- Ensuring that the Company's compensation arrangements comply with applicable laws and are capable of attracting top talents.
- The performance evaluation and remuneration of directors and managerial officers shall be made with reference to industry practice, and by taking into consideration the time invested, responsibilities, achievement of personal goals, performance in other positions, and salaries paid by the Company to others in similar positions in recent years. The evaluation will also identify the reasonableness of the connection between the individual's

performance and the Company's operating performance and future risks based on the Company's achievement of short-term and long-term business goals and the Company's financial status.

- It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
- The percentage of short-term performance bonus payout to directors and senior managers and the timing of variable salary payments shall be set in accordance with industry characteristics and the Company's business nature.
- Committee members are prohibited from participating in discussions and voting on their own salary/compensation decisions.

(4) Proposals discussed by the Remuneration Committee members in the most recent year up till the publication date of this annual report are as follows:

Date of Meeting	Term	Contents of the motions	Opinions of all members	Company's response to members' opinions	Result of the resolution
2022.01.26	The 7th meeting of the 4th committee	● Review of the 2021 performance bonus distribution details for the Company's managers	None	None	Approved by all the members of the committee
2022.03.17	The 8th meeting of the 4th committee	● Description of the Company's policies, systems, standards, and structure for the performance evaluation and compensation of the Company's directors and managers	None	None	Approved by all the members of the committee
2022.05.09	The 9th meeting of the 4th committee	● 2021 Employee and Director remuneration distribution	None	None	Approved by all the members of the committee
2022.08.04	The 1st meeting of the 5th committee	● Review the Company's 2021 remuneration distribution plan for directors	None	None	Approved by all the members of the committee
2022.09.06	The 2nd meeting of the 5th committee	● Review the details on the distribution of 2021 employee remuneration to managers of the Company	None	None	Approved by all the members of the committee
2023.03.10	The 3rd meeting of the 5th committee	● Description of the Company's policies, systems, standards, and structure for the performance evaluation and compensation of the Company's directors and managers	None	None	Approved by all the members of the committee

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
I. Does the Company establish a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit to promote sustainable development that is handled by the senior management authorized by the Board of Directors, and the supervision situation of the Board of Directors?		✓	Although the Company does not have a dedicated unit working on sustainable development, but the GM Office is responsible for the proposal and implementation of corporate social responsibility policies and reporting to the Board of Directors.	In the future, relevant plans will be formulated depending on the Company's actual operational needs.
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to corporate operations in accordance with the materiality principle, and establish relevant risk management policies or strategies?		✓	The Company has not yet formulated an overall risk management policy or strategy and each department of the Company conducts their own evaluations of related risk management.	In the future, relevant risk management policies will be formulated depending on the Company's actual operational needs.

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
<p>III. Environmental issues</p> <p>(I) Has the Company established an appropriate environmental management system based on its industrial characteristics?</p> <p>(II) Is the Company committed to enhance the efficiency of energy use and use renewable materials with low impact on the environment?</p> <p>(III) Does the company evaluate potential risks and opportunities posed by climate change to the enterprise at present and in the future, and take measures in response to climate-related issues?</p> <p>(IV) Has the Company kept track of its greenhouse gas emissions, water usage, and total waste volume over the past two years, and mapped</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company complies with the Air Pollution Control Act, the Water Pollution Prevention Act, the Waste Disposal Act, the Resource Recycling Act, the Greenhouse Gas Reduction and Management Act, the Soil and Groundwater Pollution Control Act, and the Toxic Substances and Chemical Substances of Concern Management Act and established the Company's environmental management system according to the ISO 14001 standard.</p> <p>(II) The Company has been implementing the measures for resource recovery, reuse and waste sorting for many years, and handed over all waste products to qualified recycling companies for treatment. In terms of packaging materials, the Company also uses recycled materials as much as possible to reduce the impact on the environment, and advocates energy conservation in daily operations to improve energy efficiency.</p> <p>(III) The Company has established the "Procedures for Contingency on Production Process (LG-2-003)" to elaborate the emergency responsive measures in case of emergencies such as water interruption, power outage/voltage drop, typhoons, and earthquakes. It is aimed to reduce various possible impacts from climate change to a minimum. The environmental, safety, and health management system is used to inventory the machines/equipment with high energy consumption so as to propose various energy-saving solutions for improvement, thereby reducing production costs and enhancing corporate competitiveness.</p> <p>(IV) Conducting greenhouse gas verification The Company commissions SGS, a third-party impartial organization, to inventory and certify greenhouse gas emissions every year, and we publish the inventory certificate on the Company's website. In 2021, all plants' emissions were 9,665.57 metric tons CO₂e/year. The direct</p>	None

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																																		
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out energy conservation, carbon reduction, greenhouse gas reduction, water usage reduction, or other waste management policies?			<p>greenhouse gas emissions (such as the use of CF4 in the production process, firefighting training, emergency generators, official vehicles, etc.) is 411.80metric tons CO₂e/year, accounting for 4.26% of the total emissions. Indirect greenhouse gas emissions from energy (emission from purchased electricity) was 9,253.77 metric tons CO₂e/year, accounting for 95.74% of total emissions.</p> <p>All plants' emission amount in 2022 was 8,322.24 metric tons CO₂e/year. The direct greenhouse gas emissions (such as the use of CF4 in the production process, firefighting training, emergency generators, official vehicles, etc.) is 342.55 metric tons CO₂e/year, accounting for 4.12% of the total emissions. Indirect greenhouse gas emissions from energy (the main source is purchased electricity) was 7,979.69 metric tons CO₂e/year, accounting for 95.88% of the total emissions.</p> <p><u>The electricity, water, and waste generation at our plants in 2021 and 2022 are as follows:</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Plant site</th> <th colspan="2">Electricity consumption (kWh)</th> <th colspan="2">Water consumption (tons)</th> <th colspan="2">Waste volume (tons)</th> </tr> <tr> <th>2021</th> <th>2022</th> <th>2021</th> <th>2022</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Hukou Plant</td> <td>9,656,800</td> <td>9,205,400</td> <td>34,617</td> <td>30,635</td> <td>Non-hazardous 60.62 Hazardous 0.90</td> <td>Non-hazardous 59.61 Hazardous 1.51</td> </tr> <tr> <td>Siwei Plant</td> <td>8,495,100</td> <td>6,471,800</td> <td>28,500</td> <td>20,253</td> <td>Non-hazardous 28.52 Hazardous 8.47</td> <td>Non-hazardous 19.10 Hazardous 2.75</td> </tr> <tr> <td>Total</td> <td>18,151,900</td> <td>15,677,200</td> <td>63,117</td> <td>50,888</td> <td>Non-hazardous 89.14 Hazardous 9.37</td> <td>Non-hazardous 78.71 Hazardous 4.26</td> </tr> </tbody> </table>	Plant site	Electricity consumption (kWh)		Water consumption (tons)		Waste volume (tons)		2021	2022	2021	2022	2021	2022	Hukou Plant	9,656,800	9,205,400	34,617	30,635	Non-hazardous 60.62 Hazardous 0.90	Non-hazardous 59.61 Hazardous 1.51	Siwei Plant	8,495,100	6,471,800	28,500	20,253	Non-hazardous 28.52 Hazardous 8.47	Non-hazardous 19.10 Hazardous 2.75	Total	18,151,900	15,677,200	63,117	50,888	Non-hazardous 89.14 Hazardous 9.37	Non-hazardous 78.71 Hazardous 4.26	None
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Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p><u>Formulate policies for the Company's energy conservation, carbon reduction, greenhouse gas reduction, and water use reduction and other waste management</u></p> <p>1. Carbon reduction targets By continuously promoting various energy-saving and carbon-reducing measures, the Company's total greenhouse gas emission volume was 9,665.57 metric tons CO₂e/year in 2021 and 8,322.24 metric tons CO₂e/year in 2022, which is about 13.90% lower than the previous year. The Company will continue to promote various energy-saving measures and set the annual carbon emission reduction target of 10%.</p> <p>2. Energy-saving targets By promoting various energy-saving measures, the Company has saved electricity & water consumption by 13.63% and 19.38% in 2022 compared to 2021. The Company will continue to promote various energy-saving measures, and set the annual energy-saving goal of reducing electricity consumption by 5%.</p> <p>3. Waste reduction goals The Company has implemented the measures for resource recovery and recycling and garbage sorting for many years. All waste products are handed over to qualified recycling suppliers for processing. In terms of packaging materials, recycled materials are used as much as possible to reduce the impact on the environment. With the use of the ISO 14001 environmental management system, we promote various management solutions, such as introducing the electronic operation checklist to achieve 100% paperless operation. We also set the waste reduction goal of 5% waste reduction each year.</p> <p>4. Implement strategies and measures for energy conservation and carbon reduction In order to achieve the reduction target, the Company not only implements</p>	None

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
			<p>energy-saving and carbon-reducing measures such as turning off lights easily and controlling the temperature of air-conditioners, but also actively promotes various energy-saving and carbon-reduction solutions and waste reduction solutions:</p> <p>A. Change the operation of the blower in the wastewater treatment plant from 24 hours to 3 hours a day. It is possible to save about 11,466 kWh of electricity every year and to reduce the generation of environmental noise.</p> <p>B. After reviewing the load status of the on-site air-conditioning system, the round water tower is transferred to a square water tower to reduce splashing and evaporation. A fixed water level valve is also installed at the base of the underground water storage valve to reduce the overflow rate and save water by about 7,860 degrees (1 degree = 1,000 liters) each year.</p> <p>C. The wiping cloth used in the production line has been changed from 9"*9" to 4"*4" to reduce waste by 200kg per month.</p>	None
<p>IV. Social Issues</p> <p>(I) Has the Company established related management policies and procedures in accordance with applicable laws and international conventions on human rights?</p>	✓		<p>(I) The Company recognizes and supports the "Universal Declaration of Human Rights" and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and human rights standards, and formulate the human rights policy applicable to the company, to prevent violations of human rights, and to comply with relevant labor laws and regulations in the place where the company is located.</p> <p>1. The human rights policy is as follows:</p> <p>(1) Establishment of human rights code of conduct: AOT guidelines: Respect human rights, comply with the United Nations Universal Declaration of Human Rights, treat every employee with integrity and fairness, and respect individual differences.</p> <p>(2) Prevent any discrimination and protect the fairness of employees</p>	None

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
			<p>Follow local labor regulations and implementation shall be non-discriminatory regardless of race, gender, age, disability, politics, religion, and pregnancy among colleagues.</p> <p>(3) Prohibition of child labor Prohibition of hiring child labor (refers to anyone under the age of 15, or under the age of compulsory education, or the minimum age of employment in the country/region (whichever is the greatest), and conducts inspections of all hired employees, prohibit the use of child labor in any manufacturing process.</p> <p>(4) Protection of labor rights and interests All work shall be voluntary, not forced and no coercion of any unwilling person to perform labor.</p> <p>(5) Establish a friendly workplace Provide a channel of caring and communication for employees for handling of human rights-related issues by the company. Pay attention to employees' needs, and promote health promotion and provide a variety of activities to encourage employees to participate voluntarily. Continually communicate the Company's human rights policy through supplier audits.</p> <p>2. Specific management plans: The Company undertakes to reasonably ensure the safety of employees and the working environment, that employees are treated with respect and dignity, the operation promotes environmental protection and complies with laws and regulations and morals. In order to demonstrate this commitment, we treat all employees with integrity and fairness, while respecting individual differences. We also assign dedicated personnel to implement occupational safety and health practices for</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p>employees according to the law, in addition to continuous promotion and education to implement human rights policy on a daily basis, and have established a complaint channel.</p> <p>3. Related policy and implementation</p> <p>(1) Provision of a safe and healthy work environment The Company has passed the ISO 14001 (environmental management system), ISO 45001 (occupational safety and health management system), and ISO 14064 (greenhouse gas inventory), and actively promotes energy conservation and carbon reduction, disaster prevention, and pollution prevention. We make reasonable guarantee of a safe work environment. In addition to providing a safe and healthy work environment according to the laws and regulations, the Company has also established a dedicated unit and committee for occupational safety and health, and hired professional doctors and nursing staff to provide safety, health, fire safety and other related education and training. In addition, the Company will sample the operating environment periodically to grasp the actual status of the operating environment and assess the exposure status of laborers, and to take necessary preventive measures to prevent the occurrence of occupational hazards, and thereby reduce dangerous factors in the working environment.</p> <p>(2) Eliminate unlawful discrimination and reasonably ensure equal job opportunities The Company has implemented its human rights policy in its internal control procedures. On recruitment, appointment, remuneration and benefits, education and training, promotion, performance evaluation, resignation, termination, severance pay, or retirement, the Company does not discriminate against employees and job seekers based on their race, class, or any form of</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p>discrimination based on language, ideology, religion, political party, nationality, birthplace, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities, zodiac sign, blood type, previous trade union membership, and unfair treatment.</p> <p>(3) Prohibition of child labor In order to ensure compliance with corporate social responsibility and ethical standards, the Company has explicitly stated from the beginning of recruitment that child labor is not allowed in any manufacturing process. As of December 31, 2022, there were 769 employees in total, and the number of child labor was 0.</p> <p>(4) Prohibition of forced labor All work should be done by one's will, and the Company will not force or coerce any unwilling person to perform the labor service. The Company has complied with laws and regulations regarding the daily and weekly normal working hours and extended working hours, holidays, special holidays, and leave of absence. The time and attendance system is designed with a reminder function for employees to work overtime. Employees who work overtime are entitled to overtime pay or time off. Special personnel are assigned to inspect and control the working hours of the factory premises on a monthly basis.</p> <p>(5) Assisting employees in maintaining physical and mental health and maintaining work-life balance The Company provides venue or financial sponsorship for employees, including free health check-up, stress-relieving massage, encourages employees to form their own club, and organizes a variety of ball game competitions, year-end meals, family day and other activities to enable employees to balance family life to rejuvenate the body and mind.</p>	None

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave of absence, and other benefits), and appropriately reflect business performance	✓		<p>4. Human rights protection training practices</p> <p>(1) Orientation for new recruits Upon arrival, employees are required to attend compliance orientation training for new recruits, including safety and health education, introduction to the Company's administrative policies, and education on the prevention of sexual harassment.</p> <p>(2) Prevention of workplace violence Through advocacy and announcements, the company has clearly stated its "zero tolerance" stance on all kinds of illegal violations in the workplace, so that employees understand that they have the responsibility to help ensure the occurrence of illegal violations in the workplace. In addition to disclosing the complaint hotline, we also established standard handling to create a friendly work environment.</p> <p>(3) Occupational safety training The content includes: Safety and health education and training, fire safety training, emergency response, and first-aid training.</p> <p>(4) Promotion of ethical corporate management Educate all employees on the importance of ethical corporate management and related norms, in order to establish a healthy and positive workplace culture.</p> <p>(II) 1. Employee welfare measures</p> <p>(1) Employee remuneration: The Company provides employees with remuneration based on their educational background, professional experience, job title, market conditions, and the Company's profitability.</p> <p>(2) Workplace diversity and equality: As of December 31, 2022, there were 515 female employees, accounting for 66.97%, and 15 female managers and above, accounting for 1.95%. It is a workplace of diversity and equality.</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
<p>or results in employee remuneration?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?</p>	✓		<p>(3) Leave: The Company's leave system complies with laws. Employees who need child-care or with serious injuries or illnesses are entitled to leave without pay and reinstatement upon expiration of the leave of absence. The Company also has a flexible working system to accommodate work and family care needs.</p> <p>(4) Allowances, gifts and subsidies: The Employee Welfare Committee is set up to plan and provide various benefits of high quality to employees, such as: Three major holiday gift vouchers, birthday vouchers, wedding/funeral allowances, maternity allowances, hospitalization allowances, and employee and children scholarships, emergency subsidies, domestic travel subsidies, employee subsidies for club activities, in addition to regular employee health check-up, physical and mental health seminars, employee cafeteria and other benefits.</p> <p>2. The Company has established a clear remuneration policy. In addition to the three-festival bonus, if the Company makes annual profits, it shall allocate no less than 5% of the remuneration to employees, and the remuneration and bonuses shall be allocated according to individual performance evaluation results to achieve the purpose of motivating employees.</p> <p>(III) The Company has established an Industrial Safety Department to be responsible for the promotion of various safety and health services:</p> <p>1. The Company has set up medical offices at Hukou Plant and Siwei Plant with professional nurses to provide employees with necessary health and first-aid facilities, health education, and regular health examinations. The "Health Promotion Label" issued by the Ministry of Health and Welfare has been obtained. The courses offered for employees in 2022 are as follows:</p>	None

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																																				
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			<table border="1"> <thead> <tr> <th>Name of the course</th> <th>Number of course hours</th> <th>Total participants</th> <th>Total training hours</th> </tr> </thead> <tbody> <tr> <td>Safety and health on-the-job education and training (including initial training and retraining for operation supervisors)</td> <td></td> <td>32</td> <td>214.0</td> </tr> <tr> <td>General employee safety and health education and training</td> <td>3.0</td> <td>587</td> <td>1,761.0</td> </tr> <tr> <td>Emergency Response Drill</td> <td>1.5</td> <td>349</td> <td>523.5</td> </tr> <tr> <td>Self-defense fire fighting formation training</td> <td>4.0</td> <td>63</td> <td>252.0</td> </tr> <tr> <td>Maternal protection plan service</td> <td>0.5</td> <td>16</td> <td>8.0</td> </tr> <tr> <td>Human-Induced Hazard Planning and Services</td> <td>0.5</td> <td>82</td> <td>41.0</td> </tr> <tr> <td>Workplace Health Promotion Seminar</td> <td>1.0</td> <td>135</td> <td>135.0</td> </tr> <tr> <td>Total</td> <td></td> <td>1,264</td> <td>2,934.5</td> </tr> </tbody> </table> <p>2. Commission a qualified testing agency to monitor the work environment every six months, and plan various safety and health education and training, conduct factory site inspections to explore potential risks, fire prevention training, and evacuation drills. The Company has obtained ISO 14001, ISO 45001, and TOSHMS certification. Implement safety and health management through PDCA's continuous improvement spirit.</p> <p>3. In 2022, there were 7 occupational accidents involving employees and 7 employees were injured, accounting for 0.9% of the total employees. All of them encountered traffic accidents on the way to and from work.</p>	Name of the course	Number of course hours	Total participants	Total training hours	Safety and health on-the-job education and training (including initial training and retraining for operation supervisors)		32	214.0	General employee safety and health education and training	3.0	587	1,761.0	Emergency Response Drill	1.5	349	523.5	Self-defense fire fighting formation training	4.0	63	252.0	Maternal protection plan service	0.5	16	8.0	Human-Induced Hazard Planning and Services	0.5	82	41.0	Workplace Health Promotion Seminar	1.0	135	135.0	Total		1,264	2,934.5	None
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Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
(IV) Does the Company establish effective training programs for employees' career development?	✓		(IV) The Company establishes effective training programs for employees' career development: 1. Provide newcomers with education and training to help newcomers understand the working environment and related rules and regulations as soon as possible. 2. Formulate the license management system and related measures. Employees must complete relevant training and pass the certification exam before they can operate the production machines independently. 3. According to the Employee Education and Training Management Regulations, the Company organizes various professional training on engineering and quality control to ensure employees' professional competence in performing duties. 4. Organize managerial training according to the level of management (basic, middle, and senior) to assist and strengthen their organizational management skills. 5. Organize work ability and skill improvement courses to cultivate employees' improvement of work efficiency and self-management ability. 6. Employees may apply for external training according to their needs, so as to understand market trends and the latest knowledge and technology, in order to improve work ability.	None
(V) Does the Company comply with applicable laws and international standards on customer health and safety, customer privacy, marketing and labeling of products and services, and establish related policies and complaint	✓		(V) The Company has complied with ISO9001 quality management system certification and ISO14001 environmental certification, and strictly complied with RoHS bans and restrictions on hazardous substances and REACH Substances of Very High Concern (SVHC) specifications. The Company requires itself and its suppliers to not directly or indirectly finance or benefit the criminal armed groups that are seriously violating human rights in the Democratic Republic of the Congo and its neighbors relating to the procurement of tantalum, tin, tungsten and gold that are used in product manufacturing. We also keep personal information confidential in accordance with the reasonable	

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
<p>procedures to protect the rights and interests of consumers or customers?</p> <p>(VI) Does the company establish supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights, and the implementation status thereof?</p>	✓		<p>expectations of the business counterparties (including suppliers, customers, consumers and employees). When collecting, storing, processing, transmitting and sharing personal information, we shall duly observe the Personal Information Protection Act and applicable laws and regulations governing privacy and data security.</p> <p>We have established the "Procedures for Handling Customer Complaints and Returned Products (QA-2-011)" for products and services. We have also provided a transparent and efficient consumer complaint channel and have purchased product liability insurance to protect the rights and interests of consumers.</p> <p>(VI) 1. Supplier management policies and related compliance specifications:</p> <p>The Company has a supplier management policy in place, and regards suppliers as important partners of the Company's operations. In promoting corporate social responsibility, the Company considers the participation of the entire supply chain, besides maintaining quality and delivery, we also drive the supply chain to value human rights, protection of environment, health and safety, strengthen suppliers' Environmental, Social and Governance (ESG) management, including green environmental protection, labor human rights and ethics, health and safety, risk management and ethics, and prohibition of minerals from conflict areas, etc., to jointly establish a sustainable supply chain.</p> <p>(1) Supplier CSR risk management: AOT has developed the "Business Code of Conduct for Suppliers' CSR" in accordance with EICC version 5.1. In the procurement contract, AOT's suppliers must pass the supplier evaluation and sign and commit to comply with the EICC requirements. Assess the social, economic, and environmental risks of existing suppliers, and adopt audit control for suppliers assessed as high-risk, and supervise and correct actual and potential obvious negative deficiencies.</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p>(2) Supplier quality management: For the quality management of key materials, new suppliers are evaluated based on quality, cost, delivery time, technical ability, and selection is made for suitable suppliers for cooperation. The current key material suppliers are evaluated based on the non-performing delivery rate, service quality, and procurement delivery deadline. If they are not up to the standard, we would provide guidance and counseling. If there is still no effective improvement, the supplier will be removed from the qualified supplier list. The comprehensive management of suppliers is controlled and guided from the following three aspects:</p> <p>A. On supplier management for critical materials, quality meetings are held with suppliers regularly to review related issues and make continuous improvements, in order to meet quality improvement requirements.</p> <p>B. On supplier management system verification, we would visit important suppliers as planned every year and conduct on-site audits. Once defects are discovered, the suppliers will be required to propose appropriate improvement plans to meet AOT expectations.</p> <p>C. Assessments for critical materials are made on a monthly basis based on the non-performing delivery rate, service quality, and procurement delivery deadline. Provide evaluation results to suppliers to urge them to make improvements.</p> <p>(3) Procurement risk diversification</p> <p>A. Material shortage risk management: The Company coordinates the material preparation mechanism with suppliers and establishes safety stocks according to the preparation time required for each material to ensure a smooth supply chain. To avoid the risk of material shortage or having only a</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			<p>single supplier, we will select two or more qualified suppliers according to the material evaluation mechanism for product development, and select new qualified suppliers based on product development needs through selection and evaluation process to ensure the smooth supply of materials.</p> <p>B. Local procurement: AOT production is concentrated in Taiwan and China. The supply chain mainly includes suppliers and related contractors of machine equipment, key spare parts such as LEDs, printed circuit boards, electronic materials, lighting modules, and materials, energy resources, and transportation. In order to shorten the time required for material preparation and accelerate the development time of new products, the Company actively implements localization of materials, which can also reduce costs and carbon emissions generated during the transportation process, and create a triple-win situation for the AOT, suppliers, and the local economy.</p> <p>2. Supplier management policies and related compliance specifications:</p> <p>(1) Procurement: The suppliers that pass the material evaluation must have the ISO9001& ISO14001 environmental certification and provide the quality guarantee and the environmental restricted substances testing consent.</p> <p>(2) Certification: Quality verification includes QSA and QPA.</p> <p>A. Suppliers with two scores $\geq 80\%$ are qualified</p> <p>B. Suppliers with any item with a score of less than 80% cannot supply goods until the defects are corrected</p> <p>C. Performance and monitoring: In order to achieve stable quality and continuous improvement, monthly performance evaluation and annual audit (same certification content as above) are conducted.</p> <p>(3) Supplier sustainability assessment:</p>	None

Promoting items	Status of implementation		Summary note	Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
			The Company conducts its Sustainability Index evaluation and selection of suppliers of raw materials. The annual evaluation of qualified suppliers in 2022 conforms to 100% of supply chain management mechanisms.	
V. Does the Company prepare a sustainability report or other reports for disclosing non-financial information of the company with reference to international standards or guidelines for preparing reports? Have the reports mentioned previously obtained the assurance or assurance opinion of a third-party verification unit?		✓	The Company has not yet prepared the sustainability report.	In the future, the Company will research and prepare reports based on actual business needs and with reference to international standards or guidelines.
VI. If the Company has established its own sustainability code of conducts in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe the current practices and any deviations: The company has established the Sustainable Development Best Practice Principles and promotes the balance of economy, society, and environment in accordance with the concept of the Principles. There is no deviation from the Principles for the operation.				

Promoting items	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary note	
<p>VII. Other important information helpful for understanding the implementation of sustainable development:</p> <p>To fulfill our corporate social responsibilities, the Company encourages and assists employees to participate in social welfare activities and care for the underprivileged. Contribution to the society is not limited to financial donations, but also includes giving back to the society through practical actions and fulfilling social responsibilities as a citizen. It is hoped that through such love and care, employees and the society can unite the positive forces and work hard for a better world.</p> <p>Donation of supplies, including nutritional beverages, dry food, and movie tickets, etc., are provided to Hua Shan Foundation, Fengshan Village for the elderly living alone and disadvantaged families, and Hsinchu Family Welfare Center to help care for the elderly, poor and disadvantaged families, and foster disadvantaged children. In 2022, we have donated supplies worth NTD 33,000 in February and NTD 42,000 in September to help the disadvantaged get more professional care with the help of the Foundation and Family Welfare Center. We aim to provide better quality services for the elderly, poor and disadvantaged families and children in foster care. We want to realize the philosophy of mutual assistance in the community and service the community. It is hoped that employees and the company continues to participate in community activities providing help and support to the disadvantaged families and help them to improve their living environment.</p>				

(VI) Deviation and causes of deviation between ethical corporate management practices and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment items	Operation status			Deviation and causes of deviation to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:
	Yes	No	Summary note	
<p>I. Establishment of ethical corporate management policies and plans</p> <p>(I) Has the company established an ethical corporate management policy that has been approved by its Board of Directors, and clearly stated such policies and methods in its internal regulations and external documents, as well as the commitment made by the Board of Directors and senior management on implementing the ethical corporate management policy?</p> <p>(II) Has the Company established an assessment mechanism for unethical conduct risks, to regularly analyze and evaluate the business activities with relatively high unethical conduct risks within the scope of operation, and establish the programs to prevent against unethical conducts based on this, in accordance with Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Does the company have the operation procedures, behavior guidelines, and disciplinary action and complaint system specified in the prevention program for unethical conduct and have they been implemented, reviewed and revised regularly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established the "Ethical Corporate Management Best Practice Principles" approved by the Board of Directors to stipulate the commitment of the Board of Directors and the senior management to implement the ethical corporate management policy of the Company.</p> <p>(II) The Company's board of directors has instituted the "Procedures for Ethical Management and Guidelines for Conduct" to address the concerns of conducts specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business activities with high risk of unethical practices within the scope of operation. The board has also established a mechanism for assessing the risk of unethical conducts for the supervision of the Company's Ethical Management Committee.</p> <p>(III) The board of directors of the company has established the "Ethical Corporate Management Procedures and Code of Conduct" which specifies the procedures, code of conduct, disciplinary actions against violations, and a complaint system. They have been</p>	None

Assessment items	Operation status			Deviation and causes of deviation to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:
	Yes	No	Summary note	
			implemented and reviewed on a regular basis.	
<p>II. Implementing ethical corporate management</p> <p>(I) Does the Company evaluate the ethical records of all counterparts it does business with and specify the ethical conduct clauses in the contracts it signs with the counterparts?</p> <p>(II) Has the Company set up a dedicated unit under the board of directors to promote ethical corporate management, and has it reported its ethical management policy and plans for the prevention of unethical practices and the supervision of implementation to the board of directors on a regular basis (at least once a year)?</p> <p>(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(IV) Has the company established an effective accounting system and internal control system for practical implementation of</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has thoroughly assessed the ethical records of its counterparties, and has clearly stated the integrity commitment in the contracts signed.</p> <p>(II) The Company set up the "Ethical Corporate Management Committee" as a dedicated unit under the Board of Directors in October 2019 to implement related operations such as revision, implementation, interpretation, and consultation of the Operating Procedures for Ethical Management and Code of Conduct, and supervision of implementation. It reports the implementation status to the Board of Directors regularly (at least once a year). The latest board of director's report was on December 20, 2022.</p> <p>(III) The Company has an effective accounting system and internal control system, and reviews and revises it from time to time in accordance with changes in laws and regulations and actual needs. The internal audit personnel conducts regular audits to ensure that the design and implementation of the system are continued and effective for achieving corporate governance and risk control.</p> <p>(IV) The Company has established an effective accounting system and internal control system, which are reviewed from time to time to ensure the continued</p>	None

Assessment items	Operation status			Deviation and causes of deviation to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:
	Yes	No	Summary note	
<p>ethical corporate management, and is the system regularly audited by the internal auditing unit, and does the unit propose relevant audit plans based on the assessment results of the risk of misconduct for auditing the implementation status of the prevention plan for misconduct, or is it entrusted to an accountant for auditing?</p> <p>(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?</p>	✓		<p>effectiveness of the design and implementation of such systems. Based on the findings of unethical conduct risk assessment, the internal audit unit will map out relevant audit plans and check on the compliance status with the plan, or will engage CPAs to perform the audits.</p> <p>(V) The Company upholds a corporate culture of integrity and honesty, and regularly organizes internal and external training and promotion of ethical corporate management. New recruits are to have their rights and obligations clearly communicated on the day they assume office, so as to cultivate employees' identification with the concept of integrity to enhance employees' self-discipline behavior.</p>	None
<p>III. Operation of the Company's whistle-blowing system</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(II) Does the company stipulate the standard operating procedures, the follow-up measures should be taken after the investigation and relevant confidentiality mechanism for the reported matters?</p>	✓		<p>(I) The Company has implemented a specific reporting system and set up a dedicated contact window for handling the reporting, verifying, and treatment. The Company assigns an appropriate dedicated personnel for the whistleblower to process the case of reported misconducts.</p> <p>(II) The Company has established standard investigation procedures for accepting reports, and related subsequent measures, and maintains the confidentiality of the whistleblowers and the contents of the report.</p>	None

Assessment items	Operation status			Deviation and causes of deviation to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:
	Yes	No	Summary note	
(III) Did the Company take measures to protect whistleblowers from undue treatment due to whistle blowing?	✓		(III) Based on the confidentiality principle, the Company only provides the audit unit with the needs of the audit operation to protect the whistleblower and the content of the report from undue treatment as a result.	
IV. Strengthening of information disclosure Does the company disclose the content of its Ethical Corporate Management Best Practice Principles and its implementation effectiveness on its website and Market Observation Post System?	✓		The Company discloses the Ethical Corporate Management Best Practice Principles and other relevant information through the corporate website and MOPS in a timely manner.	None
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the current practices and any deviations from the principles: None.				
VI. Other important information that helps to understand the operation of the Company's ethical corporate management (e.g., the Company's reviewing and amending of the Ethical Corporate Management Best Practice Principles): In accordance with the changes in laws and regulations, the Company had on the August 8, 2019, Board of Directors meeting, amended the "Ethical Corporate Management Best Practice Principles" and on the May 7, 2020 Board of Directors meeting, amended the "Ethical Corporate Management Procedures and Behavioral Guidelines."				

(VII) If the Company has established corporate governance principles or other relevant guidelines, reference method to such principles must be disclosed:

The Company has established the "Codes of Ethical Conduct," "Ethical Corporate Management Best Practice Principles," "Rules Governing the Scope of Powers of Independent Directors," "Corporate Governance Best-Practice Principles," "Corporate Social Responsibility Best-Practice Principles," the "Shareholder's Meeting Rules of Procedures" and a complete internal control system and internal audit system to implement the operation and promotion of corporate governance. The relevant regulations have been uploaded to the company's internal inquiry system and can be inquired on the company's website or the Market Observation Post System.

(VIII) Other material information that is helpful for understanding the operation of the Company's corporate governance may be disclosed: None.

Intellectual Property Management Plan

In order to promote products and maintain hard-won innovative technologies, the Company has formulated intellectual property strategies that combine the Company's operational goals and R&D resources, and established an excellent intellectual property right management plan to create an operation model based on the Company's value, to protect the Company's R&D outcomes and strengthen our competitive advantage.

1. Management of patents

In order to establish an intellectual property right system, the Company has established the intellectual property reward management regulations internally to encourage employees to submit applications for invention patents and continue to accumulate intellectual property rights. The evaluation and review process are conducted through the patent proposal system established by the patent offices within the Group for managing patent proposals, patent search reports, and controlling the quantity and quality of patent applications. Externally, for patent litigation triggered by the lawsuits against the domestic and foreign companies of the LED industry and end customers in the courts of various countries, the Company's Legal Affairs and Intellectual Property Department will immediately collect relevant information and conduct search and research related patent scopes. The Department will make technical exchanges and discussions with the Technology Development Department and R&D Department and related cooperating manufacturers to confirm if there is also the risk of infringement. In addition, on the layout of patents, the Company's patent offices within the Group plan the layout and application of patents.

Regarding the development of new products of the Company, the Technology Development and R&D Department will in the early stage of R&D conduct a prior art search through the Legal Affairs and Intellectual Property Department to avoid patent infringement problems.

In addition, in order to expand the sales scale of products, the Company not only applies for the patent right itself, but also signs patent licensing contracts with international leading manufacturers to enhance the strength of the Company's patent right protection, thereby obtaining sales orders and improving business performance.

2. Business secret management: The employment contracts signed between the Company and regular employees have special regulations as follows:

Confidential information and passwords that employees have learned, came into contact, held, and used during their tenures are important assets of the Company and its customers. Employees shall take effective measures to protect such confidential information and passwords with due care as administrators. Employees are also prohibited from divulging or handing over their confidential information and passwords to any third party in any way during or after their employment. Employees must not directly or indirectly use the Company's confidential information and passwords for their own benefit or the benefit of others during or after their employment, except for the discharge of duties and with the prior written consent of the Company. Employees of the Company must not directly or indirectly copy, misappropriate or infringe upon the intellectual property and/or confidential information of their former employer or any third party in order to engage in or perform any business or work of the Company.

3. Implementation: The Company submits and reports on the intellectual property-related matters to the Board of Directors on a regular basis every year, with the most recent reporting date on November 7, 2022.

The Company has introduced the Group's intellectual property management system since 2010. Major implementations in recent years are as follows:

- (1) In 2015, introduced the technical asset management system (patent proposal system).
- (2) In 2016, the Company conducted patent inventory and resold valuable patents for useless technologies in the plant and terminated maintenance on patents with outdated or unusable structural designs.
- (3) In 2018, applied for invention patent bonus in the intellectual property field from Market Supervision and Regulation Bureau of Shenzhen Municipality.

- (4) From 2019 to 2020, the Company conducted another patent inventory, classified the obtained patented technologies into grades A, B, and C, and eliminated grade C (i.e., low-value or outdated patented technologies), with a total of 319 cases terminated during the period (61 cases were converted into monetization) to reduce maintenance expenditure.
 - (5) Reviewed the patents for which fees were charged in that year in 2021, and eliminated 20 patents with low value or outdated technology in order to reduce maintenance expenses.
 - (6) Reviewed the patents for which fees were charged in that year in 2022, and eliminated 20 patents with low value or outdated technology in order to reduce maintenance expenses.
4. The list of intellectual property acquired so far and the results are as follows:
As of December 31, 2022, the Company has been granted a total of 1,273 patents worldwide, including 548 patents in Taiwan, 347 patents in China, 314 patents in the United States, and 64 patents in other countries. In 2016 and 2019 and 2020, patents were inventoried, and some patents were resold or eliminated, as well as expired patents. Patents subject to fees in that year are also reviewed every year thereafter to evaluate whether to continue the maintenance. The total number of patents granted worldwide currently under maintenance is 341 patents, including 115 patents in Taiwan, 94 patents in China, 123 patents in the United States, and 9 patents in other countries.

(IX) Status of Implementation of Internal Control System

1. Statement on Internal Control:

Advanced Optoelectronic Technology Inc.
Statement on Internal Control

Date: March 10, 2023

Based on the findings of self-assessment, the Company states the following with regard to its internal control system during the fiscal year 2022:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aiming at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes remedial actions as soon as a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component also includes several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2022 (including its supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 10, 2023, where 7 of the 0 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Advanced Optoelectronic Technology Inc.

Chairman: Fang, Jung-Hsi

General Manager: Huang, Yu- Liang

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: Not applicable.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Type of Meeting	Date of Meeting	Important Resolutions														
Annual Shareholders' Meeting	2022.06.29	<p>(1) Passed the recognition of the Company's 2021 Business Report and Financial Statements. Implementation: The resolution was passed.</p> <p>(2) Passed the recognition of the Company's 2021 distribution of earnings. Implementation: The ex-dividend date was set on September 20, 2022, and dividends were paid on October 7, 2022. (The cash dividend was distributed at NT\$0.45 per share).</p> <p>(3) Approved the revision of some articles of the "Procedures for Handling Acquisition or Disposal of Assets." Implementation: The newly revised Procedures were uploaded to the Market Observation Post System on July 11, 2022, and related works are performed according to the revised procedures.</p> <p>(4) Re-election of directors of the Company. Election results: 3 seats of directors and 4 seats of independent directors were elected; the list of elected candidates is as follows:</p> <table border="1"> <tbody> <tr> <td>Director</td> <td>Fang, Jung-Hsi</td> </tr> <tr> <td>Director</td> <td>Chuang, Hong-Jen</td> </tr> <tr> <td>Director</td> <td>Chang, Deng-Kai</td> </tr> <tr> <td>Independent Director</td> <td>Liu, Shi-Heh</td> </tr> <tr> <td>Independent Director</td> <td>Yu, Hsiang-Tun</td> </tr> <tr> <td>Independent Director</td> <td>Charles W. Tu</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Shu-Lan</td> </tr> </tbody> </table> <p>(5) Approved the motion for removing the non-compete agreement for the newly elected directors and their representatives. Implementation: The resolution was passed and related matters are processed accordingly.</p>	Director	Fang, Jung-Hsi	Director	Chuang, Hong-Jen	Director	Chang, Deng-Kai	Independent Director	Liu, Shi-Heh	Independent Director	Yu, Hsiang-Tun	Independent Director	Charles W. Tu	Independent Director	Wang, Shu-Lan
Director	Fang, Jung-Hsi															
Director	Chuang, Hong-Jen															
Director	Chang, Deng-Kai															
Independent Director	Liu, Shi-Heh															
Independent Director	Yu, Hsiang-Tun															
Independent Director	Charles W. Tu															
Independent Director	Wang, Shu-Lan															
Board Meeting	2022.03.17	<p>(1) Approved the Company's internal control statement of 2021.</p> <p>(2) Approved the Company's 2021 consolidated and parent company only financial statements.</p> <p>(3) Approved the appointment of the current CPAs of "PricewaterhouseCoopers" to continue serving as the Company's CPAs.</p> <p>(4) Approved the change of CPAs to CPAs, Lin, Po-Chuan and Chang, Shu-Chiung starting from Q1, 2022 due to internal organizational adjustment of the CPA firm.</p> <p>(5) Passed the agreement to sign the "Derivatives Trading" contract</p>														

Type of Meeting	Date of Meeting	Important Resolutions
		<p>with the bank in the second quarter of 2022.</p> <p>(6) Passed the amendments to the Company's "Corporate Governance Best Practice Principles."</p> <p>(7) Approved the proposal of increasing investment in EPILEDS TECHNOLOGIES, INC.</p> <p>(8) Approved application for bank credit line in 2nd quarter of 2022.</p> <p>(9) Approved the recommended matters proposed by the 7th and 8th meetings of the 4th Remuneration Committee.</p> <p>(10) Approved the motion for the election of all directors of the Company.</p> <p>(11) Passed the amendments to the "Procedures for Acquisition and Disposal of Assets" of the Company.</p> <p>(12) Passed the motion for the convention of the Company's 2022 annual general meeting of shareholders.</p>
Board Meeting	2022.05.09	<p>(1) Passed the Company's Annual Accounting Final Reports and Statements of 2021.</p> <p>(2) Passed the Company's 2021 distribution of earnings.</p> <p>(3) Passed the 2021 Employee and Director compensation distribution.</p> <p>(4) Passed the Company's consolidated financial statements for the first quarter of 2022.</p> <p>(5) Passed the agreement to sign the "Derivatives Trading" contract with the bank in the third quarter of 2022.</p> <p>(6) Passed the application for bank credit line in 3rd quarter of 2022.</p> <p>(7) Passed the nomination of director candidates of the Company.</p> <p>(8) Passed the motion for lifting the non-compete restriction for new directors.</p> <p>(9) Approved the motion to establish the subsidiary "Asphetek Solution Inc." in Taiwan and its subsidiary in China.</p>
Board Meeting	2022.06.29	<p>(1) Election of Fang, Jung-Hsi as the Chairman of the Board.</p> <p>(2) Appointed members of the fifth Remuneration Committee of the Company.</p> <p>(3) Approved the industry-academia cooperation and academic feedback mechanism contract signed with National Chung Hsing University.</p>
Board Meeting	2022.08.04	<p>(1) Passed the Company's consolidated financial statements for the second quarter of 2022.</p> <p>(2) Passed the amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information."</p> <p>(3) Passed the agreement to sign the "Derivatives Trading" contract with the bank in the fourth quarter of 2022.</p> <p>(4) Passed the application for bank credit line in 4th quarter of 2022.</p> <p>(5) Passed the recommended matters proposed by the 1st meeting of the 5th Remuneration Committee.</p> <p>(6) Approved the ex-dividend date for the payment of dividends in 2021.</p>

Type of Meeting	Date of Meeting	Important Resolutions
Board Meeting	2022.11.07	<ul style="list-style-type: none"> (1) Passed the Company's consolidated financial statements for the third quarter of 2022. (2) Passed amendments to the Company's "Rules of Procedure for Board of Directors Meetings." (3) Passed the amendments to the Company's "Procedures for Material Insider Information Handling and Reporting of Insider Information." (4) Passed the amendments to the "Regulations Governing the Preparation of Financial Statements" by the Company. (5) Passed the agreement to sign the "Derivatives Trading" contract with the bank in the first quarter of 2023. (6) Passed the application for bank credit line in the 1st quarter of 2023. (7) Passed the recommended matters proposed by the 2nd meeting of the 5th Remuneration Committee. (8) Approved the change of the audit supervisor.
Board Meeting	2022.12.20	<ul style="list-style-type: none"> (1) Passed the change of the audit supervisor. (2) Passed the internal audit plan for 2023. (3) Passed the business plan for 2023. (4) Passed the amendments to the Company's "Corporate Governance Best Practice Principles." (5) Passed the signing of the patent licensing contract between the Company and GE.
Board Meeting	2023.03.10	<ul style="list-style-type: none"> (1) Passed the Company's internal control statement in 2022. (2) Passed the Company's 2022 consolidated and parent company only financial statements. (3) Passed the appointment of the current CPAs of "PricewaterhouseCoopers" to continue serving as the Company's CPAs. (4) Passed the agreement to sign the "Derivatives Trading" contract with the bank in the second quarter of 2023. (5) Passed the amendments to the Company's "Corporate Governance Best Practice Principles." (6) Passed the amendments to the Company's "Sustainable Development Best Practice Principles." (7) Passed the appointment of a corporate governance officer. (8) Passed the application for bank credit line in the 2nd quarter of 2023. (9) Passed the recommended matters proposed by the 3rd meeting of the 5th Remuneration Committee. (10) Passed the motion for the convention of the Company's 2023 annual general meeting of shareholders. (11) Passed the pre-approval of non-assurance services provided to the Company, the parent company and subsidiaries by the CPAs, their firm and its affiliates.

Type of Meeting	Date of Meeting	Important Resolutions
Board Meeting	2023.05.09	(1) Passed the Company's Annual Accounting Final Reports and Statements of 2022. (2) Passed the proposal of deficit compensation of 2022. (3) Passed the Company's consolidated financial statements for the first quarter of 2023. (4) Passed the agreement to sign the "Derivatives Trading" contract with the bank in the third quarter of 2023. (5) Passed the application for bank credit line in 3rd quarter of 2023. (6) Passed the motion to increase investment in "Asphetek Solution Inc." (7) Passed the set-up to the company's "Rules Governing Financial and Business Matters Between the Corporation and its Affiliated Enterprises."

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Job Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chief internal auditor	Tseng, Shu-Jyuan	2020.12.17	2022.10.31	Personal career planning

V、Information on the Professional Fees of the attesting CPAs

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
Pricewaterhouse Coopers	Lin, Po-Chuan Chang, Shu-Chiung	2023.01.01~ 2023.12.31	2,650	400	3,050	Non-audit fee is for Business Income Tax Certification

(I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: None.

VI. Information on Replacement of CPAs

(I) Regarding the former CPAs

Date of replacement	March 17, 2022		
Reason for replacement and explanation	Organizational adjustment within the accounting firm		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties	CPAs	The Company
	Circumstances	Not Applicable	
	Terminated the engagement		
No longer accepted (continued) engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	No	√	
	Specify details	None	
Other disclosures	None		

(II) About the Successor CPAs:

Name of accounting firm	Pricewaterhousecoopers
Name of CPAs	Lin, Po-Chuan & Chang, Shu-Chiung
Date of engagement	Resolution of the Board of Directors on Mar. 17, 2022
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	Not Applicable
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	Not Applicable

(III) The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Not Applicable.

VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Changes in Equity/Pledge

Title	Name	2022		Current fiscal year as of Apr. 30, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Fang, Jung-Hsi	—	—	—	—
Director	Chuang, Hong-Jen	3,206,000	—	—	—
Director	Pao Shin International Investment Co.,Ltd.(Note 1)	—	—	—	—
	Representative: Huang, Yu- Liang	1,000,000	—	—	—
Director	Pao Shin International Investment Co.,Ltd.(Note 1)	—	—	—	—
	Representative: Chang, Deng-Kai	—	—	—	—
Director	Chang, Deng-Kai(Note 2)	—	—	—	—
Independent Director	Liu, Shi-Heh	—	—	—	—
Independent Director	Yu, Hsiang-Tun	—	—	—	—
Independent Director	Charles W. Tu,	—	—	—	—
Independent Director	Wang, Shu-Lan (Note 3)	—	—	—	—
CEO	Fang, Jung-Hsi	—	—	—	—
General Manager	Huang, Yu- Liang	1,000,000	—	—	—
Special Assistant , Dept. of New Tech Development	Tseng, Wen-Liang	—	—	—	—
Special Assistant Div. of Backlight Quality Management	Pan, Chen-Kwang(Note 4)	—	—	—	—
Director, BU of Backlight	Lo, Shih-Hsiang	—	—	—	—
Director, BU of Sensor	Chen, Bin-Chuan(Note 5)	—	—	—	—
Director, BU of Automotive	Ho, Hsing-Wei	—	—	—	—
Director, Operation Management Center	Yao, Chin-Hsing	—	—	—	—
Director Div. of Strategic Cost Management	Hsu, Yu-Mei(Note 6)	—	—	—	—
Div. Head of Exe office	Chen, Chang-Ho	—	—	—	—
Div. Head of F&A and Investment Management	Cheng, Chen-Hsun	500,000	—	—	—

Note 1: Corporate Director Pao Shin International Investment Co., Ltd. was discharged after 2022.06.29.

Note 2: Chang, Deng-Kai was elected as a director as a natural person on June 29, 2022

Note 3: Wang, Shu-Lan was new on board on June 29, 2022.

Note 4: Pan, Chen-Kwang resigned in July, 2022.

Note 5: Chen, Bin-Chuan resigned in September, 2022.

Note 6: Hsu, Yu-Mei resigned in December, 2022.

(II) The counterparty of a transfer of shareholding is a related party: None.

(III) The counterparty of a pledge of shareholding is a related party: None.

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 30, 2023

Name	Shareholding		Shareholding of spouse and minor children		Shareholding by Nominee Arrangement		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remark
	Number	%	Number	%	Number	%	Name	Relationship	
Pao Shin Int'l Investment Co.,Ltd.	9,853,000	6.82%	—	—	—	—	—	—	—
Representative: Huang, Te-Tsai	—	—	—	—	—	—	—	—	—
Hua Zhu Investment Co., Ltd	7,672,000	5.31%	—	—	—	—	—	—	—
Representative: Lu, Chun-Fu	—	—	—	—	—	—	—	—	—
InnoJoy Investment Corp.	6,964,222	4.82%	—	—	—	—	—	—	—
Representative: Hung, Chin-Yang	—	—	—	—	—	—	—	—	—
Foxsemicon Integrated Technology Inc.	3,672,000	2.54%	—	—	—	—	—	—	—
Representative: Liu, Yang-Wei	—	—	—	—	—	—	—	—	—
Chi-Yu investment Industrial Co., Ltd	3,350,000	2.32%	—	—	—	—	—	—	—
Representative: Fang, Jung-Hsi	1,007,000	0.70%	—	—	—	—	—	—	—
Chuang, Hong-Jen	3,206,000	2.22%	—	—	—	—	—	—	—
Standard Chartered Bank as custodian of LGT Band AG	2,469,000	1.71%	—	—	—	—	—	—	—
Chen An Investment Consulting Ltd.	1,700,000	1.18%	—	—	—	—	—	—	—
Representative: Wu, Yu-Ju	—	—	—	—	—	—	—	—	—
Fu-Yao Ltd.	1,500,000	1.04%	—	—	—	—	—	—	—
Representative: Li, Chih-Hsiang	—	—	—	—	—	—	—	—	—
Haishiwei Ltd.	1,500,000	1.04%	—	—	—	—	—	—	—
Representative: Huang, Yung-Ting	—	—	—	—	—	—	—	—	—

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.

March 31, 2023

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Advanced Optoelectronic Technology Holding LTD.	3,250,000	100%	—	—	3,250,000	100%
AOT Holding Ltd	—	—	2,250,000	100%	2,250,000	100%
ZHAN JING Technology (Shen ZHEN) Co., Ltd.	—	—	Paid-in capital USD 2,130,000	—	Paid-in capital USD 2,130,000	100%
ELUX Inc.	283,000	25.94%	—	—	283,000	25.94%
Guangdong Kai Chuang Display Technology Co., Ltd.	—	—	Paid-in capital RMB 1,000,000	20%	Paid-in capital RMB 1,000,000	20%
Asphetek Solution Inc.	4,200,000	60%	690,000	9.86%	4,890,000	69.86%

Section Four - Capital Overview

I. Source of Capital (I) Capitalization

May 12, 2023
Unit:1,000 shares; NT\$1,000

Year/ Month	Issued price (Per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1999.10	10	2,400	24,000	600	6,000	Capital injection by cash	None	Oct. 02, 1999 Central Region Office, Ministry of Economic Affairs No.00619209
2000.09	10	10,000	100,000	4,706	47,063	Capital increase by cash	None	Sep. 18, 2000 Central Region Office, Ministry of Economic Affairs No.89494849
2002.10	12	20,000	200,000	13,033	130,334	Capital increase by cash	None	Oct. 11, 2002 Ching-Shou-Shang-Tzu No.09101412000
2003.03	13	20,000	200,000	19,250	192,500	Capital increase by cash	None	Mar. 28, 2003 Ching-Shou-Shang-Tzu No.09201092570
2003.12	10	33,000	330,000	21,771	217,706	Capital increase by retained earnings	None	Dec. 30, 2003 Ching-Shou-Chung-Tzu No.09233222810
2003.12	10	33,000	330,000	23,436	234,360	Capital increase by capital reserve	None	Dec. 30, 2003 Ching-Shou-Chung-Tzu No.09233222810
2004.07	20	33,000	330,000	26,436	264,360	Capital increase by cash	None	Jul. 02, 2004 Ching-Shou-Chung-Tzu No.09332344670
2004.09	10	56,000	560,000	32,675	326,747	Capital increase by retained earnings	None	Sep. 09, 2004 Ching-Shou-Chung-Tzu No.09332684680
2005.02	28	56,000	560,000	39,675	396,747	Capital increase by cash	None	Feb. 05, 2005 Ching-Shou-Chung-Tzu No.09431668060
2005.10	10	88,000	880,000	53,986	539,859	Capital increase by retained earnings	None	Oct. 14, 2005 Ching-Shou-Shang-Tzu No.09401202920
2006.02	10	88,000	880,000	55,321	553,205	Exercise of employee stock options	None	Feb. 07, 2006 Ching-Shou-Shang-Tzu No.09501021590
2006.08	20	120,000	1,200,000	65,320	653,205	Capital increase by cash	None	Aug. 09, 2006 Ching-Shou-Shang-Tzu No.09501173980
2006.11	10	120,000	1,200,000	70,262	702,621	Capital increase by	None	Nov. 21, 2006 Ching-Shou-Shang-Tzu

Year/ Month	Issued price (Per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
						retained earnings		No.09501262300
2007.09	10	240,000	2,400,000	180,000	1,800,000	Private placement	None	Sep. 06, 2007 Ching-Shou-Shang-Tzu No.09601217350
2009.07	10	240,000	2,400,000	90,000	900,000	Reduced capital by deficit compensation	None	Jul. 22, 2007 Ching-Shou-Shang-Tzu No.09801165220
2009.11	10	240,000	2,400,000	130,000	1,300,000	Capital increase by cash	None	Nov. 10, 2009 Ching-Shou-Shang-Tzu No.09801258130
2014.08	72	240,000	2,400,000	145,340	1,453,400	Capital increase by cash	None	Aug. 25, 2014 Ching-Shou-Shang-Tzu No.10301166930
2015.01	10	240,000	2,400,000	146,236	1,462,360	Exercise of employee stock options	None	Jan. 14, 2015 Ching-Shou-Shang-Tzu No.1040100524
2015.04	10	240,000	2,400,000	146,584	1,465,840	Exercise of employee stock options	None	Apr. 29, 2015 Ching-Shou-Shang-Tzu No.10401067250
2015.05	10	240,000	2,400,000	146,688	1,466,880	Exercise of employee stock options	None	May 26, 2015 Ching-Shou-Shang-Tzu No.10401098190
2016.01	10	240,000	2,400,000	147,496	1,474,960	Exercise of employee stock options	None	Jan. 26, 2016 Ching-Shou-Shang-Tzu No.10501015820
2016.04	10	240,000	2,400,000	147,931	1,479,310	Exercise of employee stock options	None	Apr. 28, 2016 Ching-Shou-Shang-Tzu No.10501073770
2016.05	10	240,000	2,400,000	147,956	1,479,560	Exercise of employee stock options	None	May 30, 2016 Ching-Shou-Shang-Tzu No.10501107610
2017.01	10	240,000	2,400,000	148,863	1,488,630	Exercise of employee stock options	None	Jan. 06, 2017 Ching-Shou-Shang-Tzu No.10501298690
2017.04	10	240,000	2,400,000	149,416	1,494,160	Exercise of employee stock options	None	Apr. 13, 2017 Ching-Shou-Shang-Tzu No.10601046650
2017.05	10	240,000	2,400,000	149,450	1,494,500	Exercise of employee stock options	None	May 31, 2017 Ching-Shou-Shang-Tzu No.10601068340
2017.11	10	240,000	2,400,000	149,548	1,495,480	Exercise of employee stock options	None	Dec. 06, 2017 Ching-Shou-Shang-Tzu No.10601162850
2018.08	10	240,000	2,400,000	144,548	1,445,480	Cancellation of treasury shares	None	Aug. 22, 2018 Ching-Shou-Shang-Tzu No.10701103520

(II) Type of stock

May 12, 2023
Unit: 1,000 shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	144,548	95,452	240,000	Listed on TWSE

II. Composition of Shareholders

April 30, 2023

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Persons	Total
Number of Shareholders	0	0	165	36,756	65	36,986
Shareholding (shares)	0	0	37,169,248	100,803,848	6,574,904	144,548,000
Holding Percentage	0.00%	0.00%	25.71%	69.74%	4.55%	100.00%

III. Distribution of Shareholding

April 30, 2023

Range of no. of Shares held	Number of Shareholders	Shareholding(Shares)	Shareholding(%)
1~ 999	20,872	1,092,833	0.76%
1,000~ 5,000	12,760	26,280,590	18.18%
5,001~ 10,000	1,750	14,165,618	9.80%
10,001~ 15,000	504	6,562,293	4.54%
15,001~ 20,000	345	6,487,440	4.49%
20,001~ 30,000	284	7,431,562	5.14%
30,001~ 40,000	129	4,714,999	3.26%
40,001~ 50,000	95	4,494,186	3.11%
50,001~ 100,000	150	10,667,624	7.38%
100,001~ 200,000	56	7,648,088	5.29%
200,001~ 400,000	20	5,827,545	4.03%
400,001~ 600,000	6	2,916,000	2.02%
600,001~ 800,000	2	1,415,000	0.98%
800,001~ 1,000,000	2	1,951,000	1.35%
1,000,001 or over	11	42,893,222	29.67%
Total	36,986	144,548,000	100.00%

IV. List of Major Shareholders

April 30, 2023

Major shareholders	Shareholding(Shares)	Shareholding(%)
Pao Shin International Investment Co., Ltd.	9,853,000	6.82%
Hua-Zhun Investment Co.,Ltd.	7,672,000	5.31%
InnoJoy Investment Corporation	6,964,222	4.82%
Foxsemicon Integrated Technology Inc.	3,672,000	2.54%
Chi-Yu investment Industrial Co., Ltd	3,350,000	2.32%
Chuang, Hong-Jen	3,206,000	2.22%
Standard Chartered Bank as custodian of LGT Bank AG	2,469,000	1.71%
Chen An Investment Consulting Ltd.	1,700,000	1.18%
Fu-Yao Ltd.	1,500,000	1.04%
Haishiwei Ltd.	1,500,000	1.04%

Note: Major Shareholder means the shareholder who owns over 5% ownership or belongs to top 10 shareholders.

V. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NTD

Item		Fiscal Year	2021	2022	Current year to May 12, 2023 (Note 8)
Market Price per Share (Note 1)	Highest market price		42.65	30.00	22.5
	Lowest market price		20.50	15.15	16.8
	Average market price		29.10	20.51	18.74
Net Worth per Share (Note 2)	Before Distribution		19.29	17.39	17.20
	After Distribution		18.84	17.39	Not yet distributed
Earnings Per Share (EPS)	Weighted Average Shares (thousand shares)		144,548	144,548	144,548
	Earnings Per Share (Note 3)		0.61	(0.98)	(0.36)
Dividends per Share	Cash Dividends		0.45	0	Not yet distributed
	Stock Dividends	Dividends from Retained Earnings	0	0	Not yet distributed
		Dividends from Capital Reserve	0	0	Not yet distributed
	Accumulated Undistributed Dividends(Note 4)		0	0	Not yet distributed
Analysis of return on investment	Price/Earnings Ratio (Note 5)		47.70	(20.93)	(52.1)
	Price/Dividend Ratio(Note 6)		64.67	NA	Not yet distributed
	Cash Dividend Yield Rate (Note 7)		1.55%	NA	Not yet distributed

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

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

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

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

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

VI. Dividend Policy and Implementation Status

(I) Dividend Policy

If there is any profit for a specific fiscal year, the Company shall allocate not less than 5% of the profit as employees' compensation and shall allocate not more than 0.1% of the profit as remuneration to Directors, provided that the Company's accumulated losses shall have been covered in advance.

Employee's compensation is distributed in the form of shares or cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualification. Those proposals shall be adopted by the Board of Directors by a majority vote in a meeting attended by over two-thirds of the Directors and shall be reported in the shareholder's meeting.

If there is any profit in the annual financial statements of the Company, such profit shall be distributed in the following orders:

- (1) Reserve for tax payments.
- (2) Offset accumulated losses in previous years, if any.
- (3) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
- (4) Allocate or reverse special reserves as required by Article 41 of Securities and Exchange Act.
- (5) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividends. The Board of Directors will prepare a distribution proposal and submit the proposal to the shareholders' meeting for review and approval by a resolution.

The dividend policy shall take the factors into account such as future development, stable financial structure and shareholders' benefits, and the allocation of dividends shall be paid at a rate not less than 20% of the current year's distributable earnings; however if the distributable earnings are less than 1% of the paid-in capital, the Company may resolve to transfer the entire amount to retained earnings without distribution. Dividends to shareholders may be distributed in cash or in stock, and the stock dividends shall not be higher than half of the total dividends to shareholders.

(II) Proposed Distribution of Dividend: There is no distribution proposal in this shareholders' meeting.

(III) Expected significant change in dividend policy: None.

VII. Effect of the Proposed Stock Dividends (to be adopted by the shareholders' meeting) on the Operating Performance and Earnings Per Share: Not applicable.

VIII. Remuneration of Employees, Directors and Supervisors

(I) Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation:

1. If there is any profit for a specific fiscal year, the Company shall allocate not less than 5% of the profit as employees' compensation and shall allocate not more than 0.1% of the

profit as remuneration to Directors, provided that the Company's accumulated losses shall have been covered in advance.

Employee's compensation is distributed in the form of shares or cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualification. Those proposals shall be adopted by the Board of Directors by a majority vote in a meeting attended by over two-thirds of the Directors and shall be reported in the shareholder's meeting.

2. The remuneration of directors shall be determined by the Board of Directors according to their participation level and contribution value, and shall be compared with the standard of the same industry.

(II) The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

1. The calculation of the amount of employee, director, and supervisor profit-sharing compensation is to use the number of the net income before tax with employee & directors compensation as basis, and to consider the status of accumulated losses. Then, use the percentage in Articles of Incorporation to be the basis for estimating.
2. The closing price of the day before the resolution date of the Board of Directors is the calculating basis for the number of shares to be distributed as employee profit-sharing compensation, according to FSC's instruction No.1050001900 dated on 2016.01.30.
3. Where there is discrepancy between the actually distributed and the estimated amount, it shall be treated in accordance with the change in accounting estimates and adjusted in the year of the Board's resolution.

(III) Distribution of remuneration approved by the Board of Directors:

1. The amount of Employees' compensation distributed in cash or stocks and directors' remuneration: Due to the loss of 2022, there is not distribution of employee's compensation and directors' remuneration. The figures passed by the Board and accounted in the financial statements are both zero.
2. The amount of employees' compensation distributed in stocks, and its proportion of the net income after tax provided in individual financial reports for the current period and total employees' compensation: Not applicable.

(IV) The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

1. The distribution of 2021 employee's and directors' remuneration are paid in cash, the actual paid amount and the difference are as below:

Unit: NT\$ thousand

Fiscal year 2021	The amount accounted in the financial statements.	The amount actual paid	Difference
Employees' Compensation	5,346	5,700	(354)
Directors' Compensation	107	100	7

2. The reason for difference: Due to accounted with estimated profit.

3. Response: the difference was adjusted in the profit of 2022.

IX. Status of Stock Buyback: None.

X. Status of Bonds: None.

XI. Status of Preferred Shares: None.

XII. Status of Global Depository Receipts: None.

XIII. Status of Employee Stock Options: None.

XIV. Status of Employee Restricted Stock: None.

XV. Status of Mergers: None.

XVI. Status of New Share Issuance in Connection with Acquisitions: None.

XVII. Financing Plans and Implementation:

Uncompleted share issuance, private placement or completed transactions without expected benefits in the past 3 years: None.

Section Five - Business Activities

I. Business Scope

(I) Business Scope

1. The scope of business of the Company shall be as follows:

- (1) CC01080: Electronic Parts and Components Manufacture.
- (2) F119010: Wholesale of Electronic Materials.
- (3) F219010: Retail Sale of Electronic Materials.
- (4) F401010: International Trade
- (5) IZ99990: Other Industrial and Commercial Services.(The research & Test of LD and LED)
- (6) I501010: Product Designing.
- (7) ZZ99999: All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Major lines of business and the relative weight of each

Unit: NT\$ thousand

Year Product Category	2021(Consolidated)		2022(Consolidated)	
	Net Revenue	(%)	Net Revenue	(%)
SMD LED(self-made)	3,469,528	78.92	2,153,476	89.33
SMD LED(commodity)	294,435	6.70	255,572	10.60
Others	632,146	14.38	1,624	0.07
Total	4,396,109	100.00	2,410,672	100.00

3. Current Products (Services)

- (1) Surface Mount Device LED(SMD LED)
- (2) LED Backlight & Lighting
- (3) Other Products

4. New Products(Services) Planned for Development

- (1) Backlighting Application Products
- (2) Sensing Application Products
- (3) Vehicles-related Application Products
- (4) Lighting applied in Biotech and industry

(II) Overview of the industry

1. Industry status and development

In 2022, the turbulence in the global display panel market intensified. In particular, due to the impact of the epidemic, the situation in Russia and Ukraine, and super-inflation, consumer demand in global mobile phone, TV, and other markets had shrunk significantly, while the recovery of commercial demand is also unfavorable. The

inventory of various brands continues to rise, and the entire industry is in a difficult industry cycle. As major brands focused on destocking, the demand for display panels continued to decline, and the performance of major panel makers was significantly affected.

The shipment of LCD panels in 2022 had shown a significant decline, and the average size of LCD TV panels has declined year-on-year for the first time in the past 10 years. In order to prevent the price of LCD panels from falling further, the average utilization rate of the three major panel manufacturers, BOE, CSOT, and HKC fell below 70%.

In terms of display technology, major panel manufacturers need to continue their layout around high-definition, ultra-large size, high refresh rate, LTPO, Mini-LED and other diversified new technologies, actively innovate products, and explore potential markets. This can help to enhance the competitive resilience of firms during a period of low demand.

In the TV market, with the blessing of Mini LED backlight, the LCD panel will further upgrade the technology to meet more product applications. This is also a noteworthy technology upgrade and product application direction.

According to estimations by TrendForce, the total shipment of Mini LED backlight displays in 2022 was about 16.8 million units, a year-on-year growth of 74%, of which TV applications were the most important brand layout. The estimated figures for TV shipments in 2023 grew by 13% year-on-year to 4.4 million units. There are three main reasons. Firstly, Mini LED technology is the best solution to improve LCD contrast ratio. Secondly, due to the limited OLED production capacity, it is expected that more than 95% of flat-panel TVs in 2023 will retain the use of LCD technology. Mini LED provides the best path for upgrading the specifications of LCD TVs and promoting younger products. Lastly, Chinese manufacturers are actively investing in the upstream, midstream and downstream of Mini LED products. Through mass production pricing strategies, manufacturers can take advantage of higher cost effectiveness to accelerate the penetration of Mini LED backlights in the TV market.

In terms of automotive display, thanks to the simultaneous promotion by Chinese and US-based automakers, the shipment of automotive Mini LED backlit displays in 2022 will be about 140,000 units, which can be regarded as the first year of the application of Mini LED backlit displays in automotive displays. In 2023, European and American car manufacturers have gradually spread the application of Mini LED backlight displays to more of their vehicle models. It is estimated that the shipment may reach 450,000 units. Continuing through to 2024, the shipment of automotive Mini LED backlight displays will increase significantly.

The main reasons why Mini LED backlit displays have attracted the attention of automobile manufacturers are:

- (1) The use of Mini LED multi-zone backlight can greatly increase the brightness

of the display to over 1,000 nits, and reduce the situation of the display being placed under strong sunlight or similar such environmental situations, which may lead to low performance and thus present driving safety risks.

- (2) The direct-type Mini LED backlight is used, which can be turned on and off according to the brightness of the screen. Compared with the traditional edge-lit LED backlight that needs to be switched on constantly, the power consumption can be reduced by about 10%. This meets the energy-saving needs of automakers.
- (3) The larger size of in-vehicle displays is trending. The Mini LED direct backlit can meet the increase in display size at the same time with the display effect of highly curved surfaces. Compared with the traditional edge-lit LED backlights, the optical performance of highly curved surfaces is better, and is suitable for applications designed with different sizes of in-vehicle displays.
- (4) Mini LED continues the fine tradition of high reliability of LED and has become the first choice for new display models of automobile manufacturers.

In the field of VR/AR, Forbes fortnightly website in the U.S. pointed out in a recent report that the global market scale of the metaverse is expected to reach US\$5 trillion in 2030, and 2023 may be a crucial year in determining the development direction of the metaverse. At present, the global enterprises are doing their best to seize the virtual high ground, whether through the construction of their own platforms or by occupying the existing platforms. For example, Meta created its own virtual reality social network called Horizon, which allows people to create their own avatars in the virtual world.

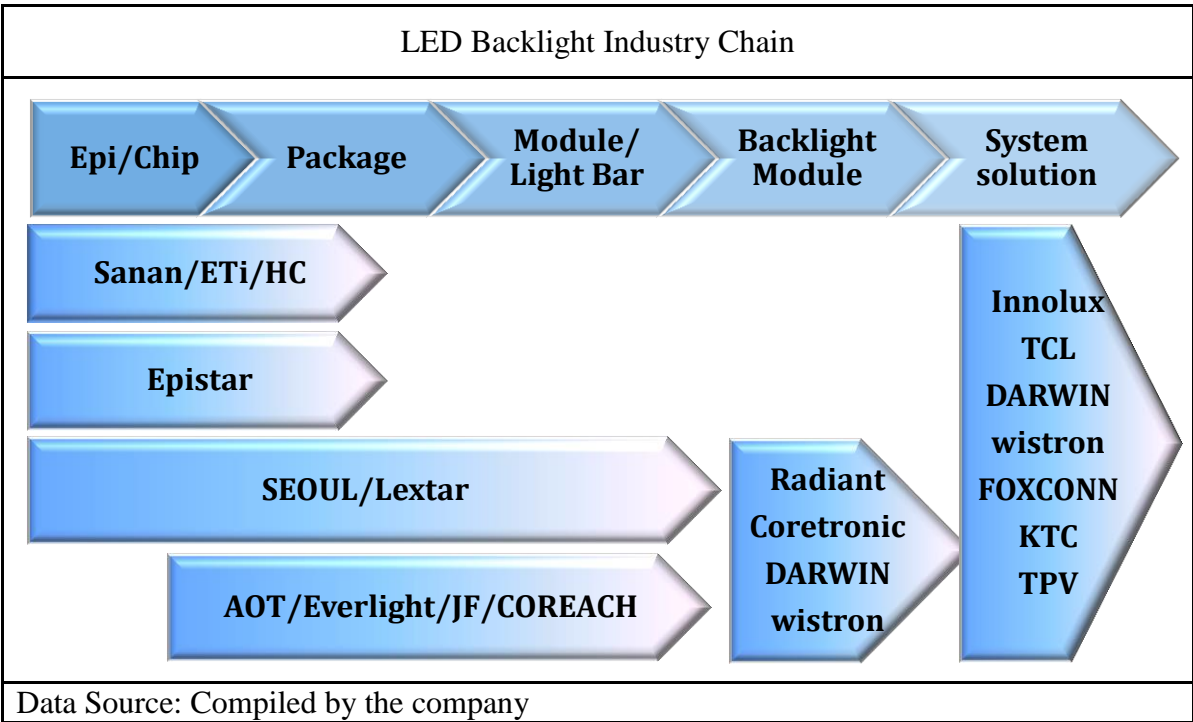
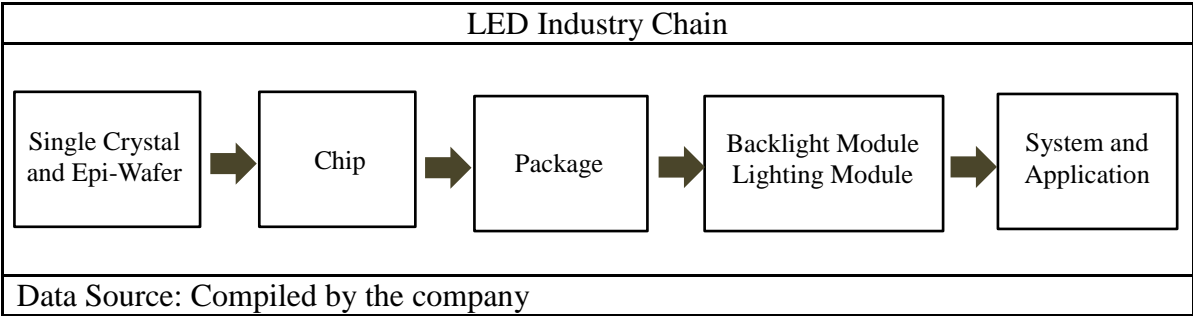
The core of the Metaverse is to provide an immersive experience; therefore, many of the ideas that people interact with involve immersive technologies, such as Virtual Reality (VR), Augmented Reality (AR), and Mixed/Extended Reality (MR/XR). Therefore, under the trend of Metaverse, the "upgraded" LCD will still have very good application opportunities in medium and low-end VR/AR hardware terminals. For the LED industry, it is an emerging market opportunity.

In 2023, under the industrial and technological trends of the Future Metaverse, smart cars, and the Internet of Everything, display terminals will become the "ubiquitous" port and will develop in the direction of high-end, diversification, and integration. However, at the same time in the future, the display industry needs to realize "value-adding" of product application experience through technological innovation, design and application innovation, explore and discover new application scenarios and products, and gradually improve the large-size printed OLED, Micro LED and other technologies. Only by improving the application of new technologies can we better respond to the arrival of a new round of competition.

2. Correlation of up-stream, mid-stream and down-stream of industry

Taiwan's LED industry has developed for more than 20 years so far. The overall industry is divided into the upstream of single crystal and epi-wafer manufacturing, the

mid-stream chip manufacturing, the downstream package industry, module factory and terminal application (see figure below).



Overall, the LED backlight industry chain is complete; there are many manufacturers for upstream LED chips/crystal grains, midstream LED packaging, and downstream modules as well as their design and manufacturing they all have various corresponding manufacturers. Hence, overall speaking, it has already entered a high state of competition.

3. Product development trends and competitions

The LED backlight market is still expected to grow in the future. With the increasing demand for high quality, high efficiency and environmental protection from consumers, the LED backlight technology will continue to be widely used. In addition, along with the technological progress of LCD and mobile phone products, the demand in the LED backlight market will also increase continuously. In the future, LED technology will also be widely used in many other fields, such as automotive, home lighting, and sensing.

Therefore, the future development prospect of the LED market is very promising.

Micro LED is an advanced LED technology with the advantages of high brightness, high efficiency, low power consumption and long life cycle. Due to these advantages, Micro LED has been considered as an important direction of future display technology. As consumers' demands for high quality, high efficiency, and environmental protection continue to increase, the demand for Micro LEDs will also increase. In addition, with the advancement of technology and reduction of costs, the production and application of Micro LEDs will be widely promoted. Therefore, the Micro LED market is expected to maintain its rapid growth in the future.

Sensing products are a type of LED technology used in sensors and smart devices with the advantages of low power consumption, high precision, and reliability. Due to these advantages, sensing products have been considered as an important direction of the Internet of Things and smart device technology. As consumers' demand for intelligence and network continue to increase, so too will the demands for sensors. In addition, with the advancement of technology and reduction of costs, the production and application of sensing LEDs will be widely promoted. Therefore, the sensor market is expected to achieve a rapid growth trend in the future.

The development trend of automotive lighting products is closely related to the development of the automobile industry. Although the demand in the automobile market in the first half of the year declined due to the impact of the repeated epidemics, with the support of the national purchase tax cut by half and the local government's policies to promote automobile consumption, the production and sales of vehicles have made significant recovery. The new energy vehicles have reached a record high, which has driven the increase in demand for automotive lighting products.

As one of the lighting technologies, LED has become one of the mainstream application technologies of automotive lighting due to the rising penetration rate in the automotive lamp market in recent years against the background of the rapid development of domestic new energy vehicles and the new four modernizations of vehicles. With the gradual recovery of the automobile market in the first half of the year, the demand for LED automotive lighting also bucked the trend and brought new performance growth momentum to the LED industry chain enterprises during the economic downturn. It has become one of the fastest growing emerging applications in the LED field.

(III) The company's technologies and its research and development status

1. R&D expenditures during the most recently year and 2023Q1.

Unit: NT\$ thousand

Item \ Year	2022(Consolidated)	2023Q1(Consolidated)
R&D expenditures	82,078	21,654
Net Revenue	2,410,672	431,774
Percentage of RD expenditure to Net Revenue (%)	3.40	5.02

2. Overview of Technologies and/or Products successfully developed

Year	Items of Technologies and/or Products successfully developed
2018	<ol style="list-style-type: none"> 1. High energy-efficient streetlight solution. 2. High energy-efficient panel-light solution. 3. High performance high-bay lighting solution. 4. High contrast backlight light source solution. 5. Chip scale package solution for ultra-slim backlight unit. 6. Ultra-slim Mini-LED package solution. 7. Side view type (1403S) chip scale package solution for ultra-slim backlight unit. 8. Side view type (2604/2204) lead frame package solution for ultra-slim backlight unit. 9. High flux, high voltage LED component solution for direct type backlight unit. 10. High color gamut, edge emitting, multi-chip (a blue LED and a green LED) LED component solution.
2019	<ol style="list-style-type: none"> 1. Ultra-small (0.6mm x 0.3mm) (0603S) LED component solution. 2. (0909)LED with lens solution for low optical distance (OD=6mm), direct type backlight unit. 3. Ultra-low power consumption (VF < 2.85) side view LED solution. 4. Mini-LED component solution for automotive direct type backlight unit. 5. High power, multi-chip LED component solution for car headlamp. 6. Infrared LED solution for fingerprint identification on display. 7. LED light sensor solution. 8. LED module solution for low pressure sodium replacement.
2020	<ol style="list-style-type: none"> 1. High resolution 4K RGB LED display solution. 2. High color gamut, RGB multi-chip LED display module solution. 3. Mini-LED (optical distance < 1mm) backlight unit solution for virtual reality headset. 4. Proximity sensor and ambient light sensor for TWS/Mobile device. 5. LED component solution for automotive interior indicator. 6. Mini-LED component and module solution for automotive display backlight unit. 7. RGB LED module for display solution. 8. Reduced blue light LED component solution.
2021	<ol style="list-style-type: none"> 1. Easy disassembly Mini RGB LED display module solution. 2. High contrast, deep black LED backlight unit solution. 3. Mini-LED (optical distance=0) backlight unit solution. 4. Proximity sensor and ambient light sensor solution for TWS/mobile device.

Year	Items of Technologies and/or Products successfully developed
	<ol style="list-style-type: none"> 5. LED component solution for automotive interior indicator and atmosphere light. 6. Mini-LED component solution for backlight unit. 7. High power, multi-chip LED component solution for car headlamp. 8. High dynamic range imaging controller and display module solution. 9. Super slim, edge emitting, multi-chip LED component solution. 10. Reduced blue light LED component solution for less damaging to the eye. 11. High energy-efficient, multi-chip, flip-chip LED package solution. 12. Infrared LED solution for fingerprint identification on display. 13. VCSEL solution for light sensor. 14. Car lighting module solution.
2022	<ol style="list-style-type: none"> 1. Small size Mini-LED package solution. 2. High power, multi-chip LED component solution for automotive headlamp. 3. Super slim, edge emitting, multi-chip LED component solution. 4. LED package solution for automotive backlight unit. 5. High power, multi-chip, flip-chip LED package solution. 6. Infrared LED solution for full-screen fingerprint recognition system. 7. Direct Time-of-Flight (dToF) sensor solution. 8. LED module solution for automotive headlamp and rear light. 9. DFN package solution for Mini LED driver. 10. Small size, multi-LED package solution for wearable device.
April 2023	<ol style="list-style-type: none"> 1. LED components and modules for AR glasses projection illumination. 2. LED components for HMD (Head Mounted Display). 3. LED components for HUD (Head-Up Display) for automotive applications. 4. Mini LED components and modules for automotive backlighting. 5. Small-sized, thin, and high-efficiency backlighting LED components. 6. High-efficiency side-lit TV backlighting LED components and modules. 7. High-efficiency direct-lit TV backlighting LED components and modules. 8. High-efficiency LED components for car indicators. 9. LED headlight components and modules for automotive applications. 10. LED taillight components and modules for automotive applications. 11. LED sidelight components and modules for automotive applications. 12. Thin, small-sized semiconductor packaging.

(IV) Long-term and short-term business development plans

1. Short-term development plan

(1) Marketing strategy

- A. Continue to develop new products to meet the comprehensive needs of customers, provide comprehensive after-sales service, and establish solid relationship with customers.
- B. Target new application markets, actively collect market information, and explore new customers.
- C. Introduce new technologies and products for backlight, sensing, and automotive applications to continue to expand market share.

- D. Grow value-oriented customers, choose the timing of entry carefully, and seek higher return on investment.
- (2) Production, R&D and product development direction
- A. Raise capacity utilization and reduce costs.
 - B. Actively introduce and nurture R&D talents to extend technical fields and accelerate product development.
 - C. Develop products that meet the needs of customers and the market.
- (3) Operational management policies
- A. Stabilize the source of raw materials and strengthen supply chain management.
 - B. Strengthen the quality control system, continuously improve product quality, and improve customer service.
 - C. Make good use of the information management system to improve the Company's operating performance.
2. Long-term development plan
- (1) Marketing strategy
- A. Secure current major customers and expand product line collaboration.
 - B. Make optimal use of the Group's resources and establish strategic partnership.
 - C. To increase the depth of dealings in the regional market.
 - D. Target domestic and foreign brands and invest in new product development and customer development to build a complete marketing channel system.
 - E. Increase the dependence of suppliers/distributors on the Company.
- (2) Production, R&D and product development direction
- A. Integrate process management to improve production performance and yield.
 - B. Establish a close supply chain and long-term cooperative partnership with the upstream and midstream raw materials and equipment suppliers in the LED industry in Taiwan to enhance the overall competitiveness of the industry.
 - C. Continue to develop R&D talents and upgrade R&D technologies.
 - D. Expand product applications and develop new products and services ahead of the market.
- (3) Operational management policies
- A. Vertical integration of technology and manufacturing capabilities to provide customers with comprehensive services.
 - B. By raising funds in the domestic and foreign capital markets, the Company develops close relationship with domestic and foreign customers, and vertically integrates the supply chain to further build the corporate global territory and actively seize global market share.

II. Market and Sales Outlook

(I) Market Analysis

1. Major Products and Sales Areas

Unit: NT\$ thousand

Area \ Year		2021(Consolidated)		2022(Consolidated)	
		Amount	%	Amount	%
Domestic Sales		199,234	4.53	131,747	5.47
External Sales	Asia	4,066,703	92.51	2,178,624	90.37
	America	95,247	2.17	83,902	3.48
	Africa	34,925	0.79	16,399	0.68
Total		4,396,109	100.00	2,410,672	100.00

Note: to classify according to the destination of goods.

2. Market share

The Company is principally engaged in the research, development, design, manufacturing and testing of surface mount device light emitting diodes (SMD LED), which belongs to the mid-stream LED packaging industry. At present, the Company's main competitors include Everlight, Liteon, Lextar and other more than 30 manufacturers. However, the Company plays a decisive role in the domestic LED packaging backlight application, and also actively enters the military vehicle lighting and sensing product application market which also reaps abundance.

3. Future market supply, demand, and growth

The output value of the LED industry is expected to reach US\$17 billion in 2023. In the automotive lighting segment, due to the decline in sales in the global automotive market because of the epidemic in 2022, the automotive lighting market was frozen sharply. By 2023, automotive LED orders in North America and Europe show signs of recovery, which led to the effect of urgent orders for headlights.

In terms of backlight, as the shipment of TVs, notebook computers, monitors, etc. was frozen in 2022, the output value of the Mini LED market for special high-end applications is expected to reach US\$1 billion in 2023, and the backlight LED revenue of various manufacturers is expected to gradually improve until the second half of 2023.

In terms of sensing products, the scale of the global sensing market was about US\$45 billion in 2017, and it will grow to about US\$60 billion by 2023. Among them, the output value of the optical sensing part in 2017 is about US\$1.5 billion, it will reach US\$3 billion in 2023. It is an application category with strong growth in all sensing fields.

4. Competing in niche markets

(1) Experienced management team

The company's management team mostly comes from the upstream and the industry, with years of experience in the LED industry, and continues to cultivate R&D, manufacturing and other professional talents.

(2) Long-term customer relationship

The Company controls the domestic and foreign leading manufacturers of backlight, sensors, and automotive lighting, and works closely with customers from the early stage of product development. It is not easy for competitors to cut in.

(3) Accumulated manufacturing experience and internal management

Since the establishment of the Company in 1999, the Company has accumulated years of experience from upstream epitaxy to downstream packaging manufacturing, and has internally managed a systematic platform that can further improve the efficiency of production and operation management.

(4) Good supply chain management efficiency:

The raw material suppliers converged, and the material tracking is fast in response to the real-time needs of the customers. In addition, the sharing of raw materials in product design is high, and the customer needs can be responded immediately.

5. Favorable and unfavorable factors in the prospect of development and countermeasures

(1)Favorable factors:

- A.It is difficult for competitors to grasp the customers of mobile phone, panel, and TV manufacturers.
- B.Form long-term stable supply chain relationships with industry leaders to ensure that the Company's important raw materials are sourced without concern.
- C.Outstanding R&D and project management teams continue to develop and manufacture high-quality products that meet customer needs.
- D.New products (Mini LED, Micro LED, QD LED, automotive LED, and IR) have strong growth momentum for the future.

(2)Unfavorable factors:

- A.The currency used for the quotation for sales is different from the quotation for purchase. In addition, the international foreign exchange market is highly volatile. There are potential risks in exchange rate fluctuations.

Response and countermeasures:

- The international landscape is changing drastically, causing exchange rates to rise and fall sharply. Therefore, it is necessary to pay attention to exchange rate movements and adjust product costs and selling prices in a timely manner.
- Adopt foreign currency hedging to avoid exchange rate risks.
- B.Under the highly mature Chinese supply chain, the Company faces great pressure to

reduce LED prices, resulting in great pressure for revenue growth and maintenance of gross profit margin.

Response and countermeasures:

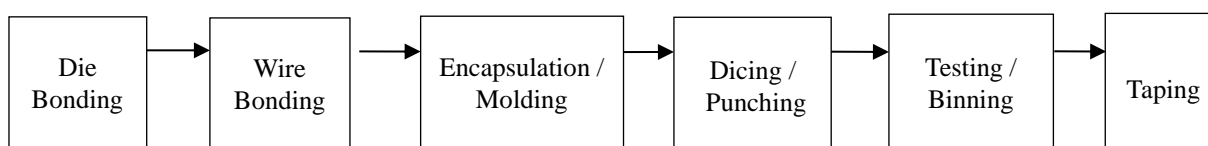
- Work with suppliers and customers to optimize production and sales and reduce stagnant inventory opportunities.
- To compete for value based on quality and technology.

(II) Usage and manufacturing processes for the company's main products.

1. Usage for the company's main products

Major products	Usage
LED back light solution	mobile phone, tablet computer, notebook, monitor, TV, IR.
LED automotive solution	headlights, tail lights, signal lamps, fog lamps, interior lamps, automotive display.
LED lighting solution	indoor lighting fixture, lamps, down light.
LED sensing solution	mobile phone, wearable devices.

2. Manufacturing processes for the company's main products.



(III) Supply situation for the company's major raw materials

Raw Materials	Supplier	Supply Situation
LED Chip	Epistar 、HC Semitek	In good condition
PCB 、Lead frame	CWTC 、DEREN 、I-CHIUN	In good condition
Encapsulate	DOIT 、TOPCO	In good condition
Phosphor	Sumitronics 、MITSUBISHI	In good condition

(IV) Major Suppliers and Clients

1. A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$ thousand

Item	2021				2022				Up to March 31, 2023			
	Name	Amount	Percentage of annual net purchases(%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases(%)	Relationship with the issuer	Name	Amount	Percentage of net purchases up to 2023 Q1(%)	Relationship with the issuer
1	Supplier B	574,267	17.76	None	Supplier C	177,731	15.45	None	Supplier C	38,307	15.73	None
2	Supplier C	356,621	11.03	None	Supplier D	165,010	14.34	None	Supplier E	26,205	10.76	None
3	Supplier D	337,625	10.44	None	Supplier E	115,601	10.05	None	—	—	—	—
4	Others	1,965,286	60.77	—	Others	692,294	60.17	—	Others	178,999	73.51	—
	Net purchases	3,233,799	100.00	—	Net purchases	1,150,636	100.00	—	Net purchases	243,511	100.00	—

Explanations of the reason for increases or decreases: Due to the change of product portfolio.

2. A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$ thousand

Item	2021				2022				Up to March 31, 2023			
	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of net sales to 2023Q1(%)	Relationship with the issuer
1	Client VI	1,207,727	27.47	None	Client VI	661,558	27.44	None	Client VI	107,374	24.87	None
2	Client I	593,326	13.50	None	Client II	314,171	13.03	None	—	—	—	—
3	—	—	—	—	Client III	263,114	10.91	None	—	—	—	—
4	Others	2,595,056	59.03	—	Others	1,171,829	48.61	—	Others	324,400	75.13	—
	Net sales	4,396,109	100.00	—	Net sales	2,410,672	100.00	—	Net sales	431,774	100.00	—

Explanations of the reason for increases or decreases: Due to the change of customers' demand

(V) Production Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousand pcs; NT\$ thousand

Output Fiscal Year Major Products	2021			2022		
	Production Capacity	Production volume	Production Value	Production Capacity	Production volume	Production Value
SMD LED (self-made)	4,659,000	4,019,679	3,801,996	4,500,000	2,507,362	2,179,541
SMD LED (commodity)	—	—	—	—	—	—
Total	4,659,000	4,019,679	3,801,996	4,500,000	2,507,362	2,179,541

NOTE: Due to the different classification of LED commodity, the related data will not show in the list.

(VI) Sales Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousand pcs; NT\$ thousand

Sales Year Major Products	2021(Consolidated)				2022(Consolidated)			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
SMD LED (self-made)	331,626	189,113	5,186,316	3,280,415	207,577	126,984	2,498,159	2,027,741
SMD LED (commodity)	793	10,055	3,306	284,380	36	3,139	3,835	252,433
Other	121	66	46,426	632,080	2,952	1,624	1	(1,249)
Total	332,540	199,234	5,236,048	4,196,875	210,565	131,747	2,501,995	2,278,925

III. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

Fiscal Year		2021	2022	Current year to May 12,2023
Number of Employees	Production Dept.	708	619	556
	R&D Dept.	48	66	80
	Sales Dept.	25	40	38
	Management Dept.	101	108	96
	Total	882	833	770
Average Age		40.65	40.83	41.27
Average Years of Service		8.87	8.43	8.65
Education	PhD	0.3%	0.48%	0.52%
	Master's degree	8.1%	10.20%	10.78%
	College	54.3%	57.99%	57.14%
	Senior High School	33.7%	28.69%	28.83%
	Below Senior High School	3.6%	2.64%	2.73%

IV. Disbursements for Environmental Protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

V. Labor Relations:

(I) The Company's various employee welfare measures, continuing education, training, retirement systems and their implementation, as well as agreements between labor and management and various employee rights protection measures:

1. Employee Welfare Measures:

(1)Welfare measures provided by the company: Labor and health insurance, group insurance, business travel insurance, and year-end bonus.

(2)Employee Welfare Committee: The Company has established the Employee Welfare Committee in accordance with the Employee Welfare Fund Regulations to coordinate various employee welfare activities, promote the establishment of clubs, and provide subsidies for employee welfare. Formulate budgets and welfare plans every year. In addition to subsidizing employees' marriage, funeral, illness, and childbirth, there are also birthday and New Year bonuses. Various activities are held regularly to adjust employees' mind and body and strengthen employees' cross-departmental relationship of friendship.

2. Continuing Education and Training:

(1)Provide newcomers with education and training to help newcomers understand the working environment and related rules and regulations as soon as possible.

(2)Formulate the license management system and related measures. Employees must complete relevant training and pass the certification exam before they can operate the production machines independently.

(3)According to the Employee Education and Training Management Regulations, the Company organizes various professional training on engineering and quality control to ensure employees' professional competence in performing duties.

(4)Organize managerial training according to the level of management (basic, middle, and senior) to assist and strengthen their organizational management skills.

(5)Organize work ability and skill improvement courses to cultivate employees' improvement of work efficiency and self-management ability.

(6)Employees may apply for external training according to their needs, so as to understand market trends and the latest knowledge and technology, in order to improve work ability.

3. Employee retirement system and implementation:

(1) Old system: The Company established the "Organization Charter Governing the Labor Pension Reserve Supervisory Committee" in accordance with the Labor Standards Act.

According to this, employees who started to work before June 30, 2005 are entitled to the old retirement system or the new system. 2% of the monthly salary is appropriated to a special account in Taiwan bank under the old system pension fund, and is supervised and managed by the Company's "Labor Pension Reserve Supervisory Committee." In October 2022, it was approved by the employer and the employee at the Supervisory Committee to settle the old pensions in accordance with Paragraph 3, Article 11 of the Labor Pension Act. The pension is paid out of the dedicated pension fund account at the Bank of Taiwan after approval by the Company's labor affairs competent authority in Hsinchu County's labor division. Subsequently, the labor pension reserve will be settled in full in the account.

(2) New system: For the employees who started to work on July 1, 2005, and the employees who were originally applicable to the old system and have opted to join the new system, the Company allocates 6% of their total salaries into the pension fund on a monthly basis in accordance with the "Labor Pension Act."

4. Agreements between employers and employees, and protection of employees' rights:

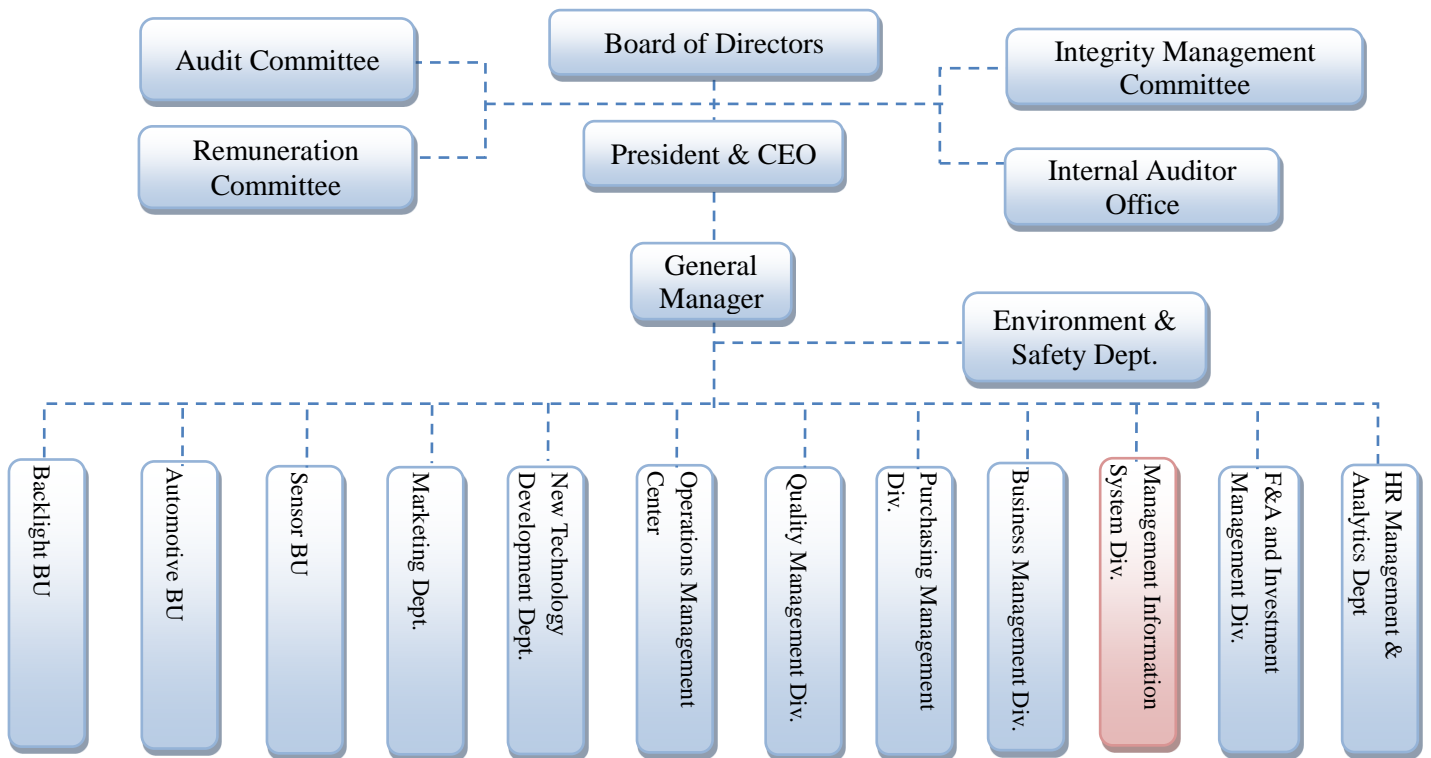
The Company upholds the concept of "integration of labor and management," emphasizes rational and personalized management, establishes smooth communication channels, and maintains good labor-management relations to jointly create productivity, share profits and establish stable and harmonious labor-management relations. Therefore, in the most recent year and as of the annual report publication date, no major labor dispute had occurred.

(II) Losses incurred as a result of labor-management disputes in the most recent two years and as of the annual report publication date (including labor inspection results showing violations of items in Labor Standards Act. These matters should be listed with punishment date, reference number, articles of regulations violated, article contents and punishment details). The Company shall also disclose estimated amount that might incur at present and in the future, and their countermeasures. If unable to give a reasonable estimation, provide an explanation of the facts for not being able to provide a reasonable estimation: None.

VI. Cyber Security Management

(I) Cyber security risk management

1. Cyber security risk management framework:



The Company has appointed " Management Information System Div." under the General Manager. Its duties are mainly responsible for cyber security and risk management, design the cyber security management system, and provide real-time decision support systems and management information in line with the Company's business strategies and models.

2. Cyber security policy:

The Company is committed to protecting the Company's confidential information. It is the Company's commitment to an alert cyber security that the Company makes to customers, employees and all shareholders. We know that cyber security will significantly affect the Company's current and future competitive advantages. For proper control of the Company's cyber security, the Company continues to strengthen the protection of confidential information, and raise employees' correct concept and alertness towards the cyber security of confidential information, thereby reducing the risk of leakage of confidential information to ensure the best interests of the Company, shareholders, employees, customers and suppliers.

3. Specific management plans and resources invested in cyber security:

(1) Prevention of Hacking/Internet Attacks

The Company has already formulated the cyber security management policy and established the basic network and computer security protection system to control or maintain the Company's manufacturing operations and other important corporate functions. Appropriate next generation firewalls and highly usable main server backup system have been installed, along with implementation of complete information

backup and offsite media storage has been done. Major system backup practice drill has also been conducted. This is to ensure the normal operation of the information system and data protection to lower the risk of system interruption from natural hazards and human errors.

(2) Education and publicity

Educate employees about the concept of cyber security through the "Boot Up Promotion Platform." The "ASRC Email Fingerprinting Collection Mechanism" is used to block external malicious attacks on emails and reduce the risk of phishing emails.

(3) Legitimate/legal software

Policies and practices on the use of legitimate/legal software: Only IT personnel can install software, and use asset scanning tools to control the quantity of software to prevent the random installation of software from unknown sources that may lead to leakage of sensitive information.

(4) Encryption and protection of documents

Document security and encryption are used to protect important and sensitive information within the Company and prevent unauthorized leakage of sensitive documents.

(5) Education and training for cyber security personnel

In order to improve the professional skills of cyber security personnel, a total of 3 information security colleagues participated in external training courses in 2022, and the total number of training hours was 33 hours for 6 people. The training courses include

A. 2022/03/16 Zero Trust under Software Definition Webinar

B. 2022/05/26-27 Cyber security system protection standard practice course; obtained the certificate of "Cyber security system protection standard - Compliance Technical Specialist".

C. 2022/08/26 CISO Information Security Academy - Information Security Day

D. 2022/11/21 Information security awareness seminar for TWSE/TPEX listed companies in 2022

(II) Losses suffered and possible impacts as a result of material cyber security incidents in the last year up till the publication date of this annual report, if it is impossible to estimate the possible impacts of such incidents and the countermeasures, provide a statement for the reason(s): None.

VII. Material Contract

Nature of the contract	The Parties	Contract start and end dates	Main content	Restriction clauses
Patent licensing contract	GE Lighting Solutions LLC.	2017/6/1 to 2022/12/31	The Company is authorized to use KSF red phosphor powder related patents for backlight products in the global market.	None
Patent licensing contract	General Electric Company	2023/1/1 to 2032/12/31	The Company is authorized to use KSF red phosphor powder related patents for backlight products in the global market.	None
Patent licensing contract	Cree, Inc.	Signed a contract on December 1, 2019 Confidentiality during the effective period of the contract	The Company was authorized to use Cree's global patents for the backlight purpose for packaging products and applications.	None

Section Six - Financial Status

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

(I) Condensed Balance Sheets and Statement of Comprehensive Income

1. Condensed Balance Sheets

(1) Consolidated Financial Statements

Unit: NT\$ thousand

Year		Financial Summary for Most Recent 5 Fiscal Years (Note 1)					As of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Item							
Current assets		3,426,133	2,964,756	3,176,306	3,045,009	2,098,640	2,099,046
Property, Plant and Equipment		1,097,857	1,047,733	1,009,647	914,968	824,517	793,983
Intangible assets		97,932	73,752	49,040	34,158	8,987	146,065
Other assets		313,347	279,210	388,767	254,390	287,894	292,339
Total assets		4,935,269	4,365,451	4,623,760	4,248,525	3,220,038	3,331,433
Current liabilities	Before distribution	2,020,286	1,677,600	1,961,020	1,455,392	651,987	725,443
	After distribution	2,020,286	1,677,600	1,961,020	1,520,439	Not yet distributed	Not yet distributed
Non-current liabilities		56,057	41,969	22,955	4,092	28,430	94,221
Total liabilities	Before distribution	2,076,343	1,719,569	1,983,975	1,459,484	680,417	819,664
	After distribution	2,076,343	1,719,569	1,983,975	1,524,531	Not yet distributed	Not yet distributed
Equity attributable to owners of the parent company		2,858,926	2,645,882	2,639,785	2,789,041	2,513,705	2,487,555
Share capital		1,445,480	1,445,480	1,445,480	1,445,480	1,445,480	1,445,480
Capital surplus		938,103	942,365	953,341	953,223	954,265	954,265
Retained earnings	Before distribution	510,133	303,863	176,103	370,561	168,696	116,571
	After distribution	510,133	303,863	176,103	305,514	Not yet distributed	Not yet distributed
Other equity		(34,790)	(45,826)	64,861	19,777	(54,736)	(28,761)
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	25,916	24,214
Total equity	Before distribution	2,858,926	2,645,882	2,639,785	2,789,041	2,539,621	2,511,769
	After distribution	2,858,926	2,645,882	2,639,785	2,723,994	Not yet distributed	Not yet distributed

Note 1: Financial report for most recent 5 years were audited and certified by CPAs.

Note 2: CPAs have reviewed the 2023 Q1 financial statements.

(2) Parent Company Only Financial Statements

Unit: NT\$ thousand

Year		Financial Summary for Most Recent 5 Fiscal Years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Item							
Current assets		3,178,677	2,752,850	2,975,300	2,831,289	1,887,438	Not applicable
Property, Plant and Equipment		1,092,586	1,043,158	1,006,646	907,089	807,252	Not applicable
Intangible assets		97,921	73,752	49,040	34,158	8,987	Not applicable
Other assets		391,814	366,070	483,114	305,911	359,941	Not applicable
Total assets		4,760,998	4,235,830	4,514,100	4,078,447	3,063,618	Not applicable
Current liabilities	Before distribution	1,846,015	1,548,965	1,851,360	1,285,931	543,877	Not applicable
	After distribution	1,846,015	1,548,965	1,851,360	1,350,978	Not yet distributed	Not applicable
Non-current liabilities		56,057	40,983	22,955	3,475	6,036	Not applicable
Total liabilities	Before distribution	1,902,072	1,589,948	1,874,315	1,289,406	549,913	Not applicable
	After distribution	1,902,072	1,589,948	1,874,315	1,354,453	Not yet distributed	Not applicable
Equity attributable to owners of the parent company		—	—	—	—	—	Not applicable
Share capital		1,445,480	1,445,480	1,445,480	1,445,480	1,445,480	Not applicable
Capital surplus		938,103	942,365	953,341	953,223	954,265	Not applicable
Retained earnings	Before distribution	510,133	303,863	176,103	370,561	168,696	Not applicable
	After distribution	510,133	303,863	176,103	305,514	Not yet distributed	Not applicable
Other equity		(34,790)	(45,826)	64,861	19,777	(54,736)	Not applicable
Treasury shares		—	—	—	—	—	Not applicable
Non-controlling interests		—	—	—	—	—	Not applicable
Total equity	Before distribution	2,858,926	2,645,882	2,639,785	2,789,041	2,513,705	Not applicable
	After distribution	2,858,926	2,645,882	2,639,785	2,723,994	Not yet distributed	Not applicable

Note 1: Financial report for most recent 5 years were audited and certified by CPAs.

2. Condensed Statements of Comprehensive Income

(1) Consolidated Financial Statements

Unit: NT\$ thousand

Item	Financial Summary for Most Recent 5 Fiscal Years (Note 1)					As of March 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenues	4,643,051	4,037,141	5,478,884	4,396,109	2,410,672	431,774
Gross profit	279,198	356,091	381,694	622,121	307,368	52,930
Operating income	(395,227)	(171,061)	(106,663)	61,118	(172,812)	(69,460)
Non-operating income and expenses	(31,265)	(38,473)	8,635	45,795	31,738	16,155
Profit before income tax	(426,492)	(209,534)	(98,028)	106,913	(141,074)	(53,305)
Net income for the period from continuing operations	(386,785)	(207,225)	(110,627)	88,311	(142,246)	(53,827)
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	(386,785)	(207,225)	(110,627)	88,311	(142,246)	(53,827)
Other comprehensive income (loss) for the period (net of Income Tax)	(35,041)	(10,081)	111,898	61,063	(70,003)	25,975
Total comprehensive income for the period	(421,826)	(217,306)	1,271	149,374	(212,249)	(27,852)
Net income attributable to owners of parent	(386,785)	(207,225)	(110,627)	88,311	(141,204)	(52,125)
Net income (loss) attributable to non-controlling interests	0	0	0	0	(1,042)	(1,702)
Comprehensive income attributable to owners of parent	(421,826)	(217,306)	1,271	149,374	(211,207)	(26,150)
Comprehensive income attributable to non-controlling interests	0	0	0	0	(1,042)	(1,702)
Earnings per share (NTD)	(2.68)	(1.43)	(0.77)	0.61	(0.98)	(0.36)

Note 1: Financial report in the most recently years were audited and certified by CPAs.

Note 2: CPAs have reviewed the 2023 Q1 financial statements.

(2) Parent Company Only Financial Statements

Unit: NT\$ thousand

Year Item	Financial Summary for Most Recent 5 Fiscal Years (Note1)					As of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenues	4,232,797	3,761,933	5,225,770	4,159,857	2,186,918	Not applicable
Gross profit	212,520	266,251	343,215	558,352	243,055	Not applicable
Operating income	(389,264)	(189,592)	(104,607)	66,174	(162,411)	Not applicable
Non-operating income and expenses	(37,461)	(25,406)	6,562	40,739	21,314	Not applicable
Profit before income tax	(426,725)	(214,998)	(98,045)	106,913	(141,097)	Not applicable
Net income for the period from continuing operations	(386,785)	(207,225)	(110,627)	88,311	(141,204)	Not applicable
Loss from discontinued operations	0	0	0	0	0	Not applicable
Net income (loss) for the period	(386,785)	(207,225)	(110,627)	88,311	(141,204)	Not applicable
Other comprehensive income (loss) for the period (net of income tax)	(35,041)	(10,081)	111,898	61,063	(70,003)	Not applicable
Total comprehensive income (loss) for the period	(421,826)	(217,306)	1,271	149,374	(211,207)	Not applicable
Earnings per share (NTD)	(2.68)	(1.43)	(0.77)	0.61	(0.98)	Not applicable

Note 1: Financial report in the most recently five years were audited and certified by CPAs.

(II) Name of CPAs and Audit Opinions for Most Recent 5 Fiscal Years

Year	Accounting Company	CPAs	Auditing Opinions
2018	PricewaterhouseCoopers	Lin, Chun-Yao & Ueng, Shyh-Rong	Unqualified Opinions
2019	PricewaterhouseCoopers	Ueng, Shyh-Rong & Chang, Shu-Chiung	Unqualified Opinions
2020	PricewaterhouseCoopers	Ueng, Shyh-Rong & Chang, Shu-Chiung	Unqualified Opinions
2021	PricewaterhouseCoopers	Chang, Shu-Chiung & Lin, Chun-Yao	Unqualified Opinions
2022	PricewaterhouseCoopers	Lin, Po-Chuan & Chang, Shu-Chiung	Unqualified Opinions

II. Financial Analysis for the most recently 5 fiscal years

(I) Consolidated Financial Statements

Year (Note 1) Item (Note 2)		Financial Analysis for Most Recent 5 Fiscal Years					As of March 31, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	42.07	39.39	42.91	34.35	21.13	24.60
	Ratio of long-term capital to property, plant and equipment	265.52	256.54	263.73	305.27	311.46	328.22
Solvency (%)	Current ratio	169.59	176.73	161.97	209.22	321.88	289.35
	Quick ratio	149.21	148.73	142.57	186.13	294.70	259.52
	Times interest earned	(351)	(41)	(14)	38	(39)	(46.26)
Operating performance	Accounts receivable turnover (times)	2.60	2.63	3.36	2.97	2.76	3.45
	Average collection days	140.38	138.78	108.63	122.90	132.24	105.80
	Inventory turnover (times)	8.18	7.78	10.97	8.78	6.26	5.52
	Accounts payable turnover (times)	3.14	3.46	5.00	3.61	3.12	3.82
	Average days in sales	44.62	46.92	33.27	41.57	58.30	66.12
	Property, plant and equipment turnover (times)	4.07	3.76	5.33	4.57	2.77	2.13
	Total assets turnover (times)	0.87	0.87	1.22	0.99	0.65	0.53
Profitability	Return on total assets (%)	(7.22)	(4.37)	(2.35)	2.04	(3.73)	(1.62)
	Return on equity (%)	(12.43)	(7.53)	(4.19)	3.25	(5.34)	(2.13)
	Ratio of income before tax to paid-in capital (%) (Note 7)	(29.51)	(14.50)	(6.78)	7.40	(9.76)	(3.69)
	Net profit margin (%)	(8.33)	(5.13)	(2.02)	2.01	(5.90)	(3.12)
	Earnings per share (NT\$)	(2.68)	(1.43)	(0.77)	0.61	(0.98)	(0.36)
Cash flow	Cash flow ratio (%)	0.66	(24.74)	3.65	48.06	41.44	(1.64)
	Cash flow adequacy ratio (%)	63.53	26.62	8.43	53.19	61.63	85.60
	Cash reinvestment ratio (%)	(1.34)	(7.93)	1.46	13.83	4.17	(0.24)
Leverage	Operating leverage	(3.05)	(9.34)	(2.26)	8.42	(0.75)	0.57
	Financial leverage	1.00	0.97	0.94	1.05	0.98	0.98

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Debt to assets ratio, Times interest earned, Return on total assets (%), Return on equity (%), Ratio of income before tax to paid-in capital (%), Net profit margin (%), Earnings per share (NT\$), Operating leverage: Mainly due to the increase of loss in 2022.
2. Current ratio, Quick ratio: Mainly due to the decrease of accounts payable and debt.
3. Inventory turnover (times), Average days in sales: Under the influence of COVID-19, the customers slow down the shipments, thus the turnover rate goes down and the average days in sales go up.
4. Property, plant and equipment turnover (times), Total assets turnover (times): Mainly due to the sales going down deeply.
5. Cash reinvestment ratio (%): Mainly due to the inflow decrease from operating activities.

(II) Parent Company Only Financial Statements

Year (Note 1) Item (Note 2)		Financial Analysis for Most Recent 5 Fiscal Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	39.95	37.54	41.52	31.62	17.95	Not applicable
	Ratio of long-term capital to property, plant and equipment	266.80	257.57	264.52	307.85	312.14	Not applicable
Solvency (%)	Current ratio	172.19	177.72	160.71	220.17	347.03	Not applicable
	Quick ratio	154.18	151.48	143.91	199.50	319.75	Not applicable
	Times interest earned	(351)	(42)	(14)	38	(43)	Not applicable
Operating performance	Accounts receivable turnover (times)	2.49	2.42	3.11	2.78	2.54	Not applicable
	Average collection days	146.35	150.62	117.39	131.28	143.61	Not applicable
	Inventory turnover (times)	8.95	8.42	12.08	9.81	6.80	Not applicable
	Accounts payable turnover (times)	2.91	3.28	4.86	3.69	3.28	Not applicable
	Average days in sales	40.76	43.36	30.21	37.22	53.66	Not applicable
	Property, plant and equipment turnover (times)	3.73	3.52	5.10	4.35	2.55	Not applicable
	Total assets turnover (times)	0.83	0.84	1.19	0.97	0.61	Not applicable
Profitability	Return on total assets (%)	(7.59)	(4.52)	(2.41)	2.11	(3.88)	Not applicable
	Return on equity (%)	(12.43)	(7.53)	(4.19)	3.25	(5.33)	Not applicable
	Ratio of income before tax to paid-in capital (%) (Note 7)	(29.52)	(14.87)	(6.78)	7.40	(9.76)	Not applicable
	Net profit margin (%)	(9.14)	(5.51)	(2.12)	2.12	(6.46)	Not applicable
	Earnings per share (NT\$)	(2.68)	(1.43)	(0.77)	0.61	(0.98)	Not applicable
Cash flow	Cash flow ratio (%)	(2.18)	(27.95)	2.67	58.12	48.25	Not applicable
	Cash flow adequacy ratio (%)	63.09	26.23	11.43	51.65	58.68	Not applicable

Year (Note 1) Item (Note 2)		Financial Analysis for Most Recent 5 Fiscal Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
	Cash reinvestment ratio (%)	(2.32)	(8.31)	1.02	14.86	4.09	Not applicable
Leverage	Operating leverage	(2.92)	(8.21)	(6.69)	12.84	(1.89)	Not applicable
	Financial leverage	1.00	0.97	0.94	1.05	0.98	Not applicable

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Debt to assets ratio, Times interest earned, Return on total assets (%), Return on equity (%), Ratio of income before tax to paid-in capital (%), Net profit margin (%), Earnings per share (NT\$), Operating leverage: Mainly due to the increase of loss in 2022.
2. Current ratio, Quick ratio: Mainly due to the decrease of accounts payable and debt.
3. Inventory turnover (times), Average days in sales: Under the influence of COVID-19, the customers slow down the shipments, thus the turnover rate goes down and the average days in sales go up.
4. Property, plant and equipment turnover (times), Total assets turnover (times): Mainly due to the sales going down deeply.
5. Cash reinvestment ratio (%): Mainly due to the inflow decrease from operating activities.

Note 1: Financial report in the most recent five years were audited and certified by CPAs.

Note 2: The formulas of the above table are as follows:

1. Financial Structure analysis

(1) Debt to assets ratio = Total Liabilities / Total Assets

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net

2. Liquidity analysis

(1) Current ratio = Current assets / Current liability

(2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability

(3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense

3. Operating performance analysis

(1) Accounts receivable turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables

(2) Average collection days = 365 / Average collection turnover

(3) Inventory turnover = Cost of goods sold / Average inventories

(4) Accounts payable turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables

(5) Average days in sales = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Sales / Average property, plant and equipment, net

(7) Total assets turnover = Sales / Average total assets

4. Return on investment analysis

(1) Return on total assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets

(2) Return on equity = Profit / Average total Equity

(3) Net profit margin = Profit / Sales

(4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash provided by operating activities / Current liability

(2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)

(3) Cash reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)

6. Leverage

(1) Operating Leverage = (Net sales - Variable cost) / Operating income (Note 6)

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 3: CPAs have reviewed the 2023 Q1 financial statements.

Note 4: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment value means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 7: In the case of a company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

III. Audit Committee's Report for the most recent year's financial statement.

Advanced Optoelectronic Technology Inc.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 business report, financial statements and the proposal for deficit compensation. CPA Lin, Po-Chuan and Chang, Shu-Chiung of Pricewaterhousecoopers have audited the financial statements and expressed unqualified opinions. The business report, financial statements and the proposal for deficit compensation have been reviewed by the Audit Committee and no irregularities are found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To

Annual General Shareholders' Meeting of the Company in 2023

Advanced Optoelectronic Technology Inc

Chairman of the Audit Committee: Liu, Shi-Heh

May 9, 2023

IV. Financial statements for the most recent fiscal year, including an auditor's report prepared by CPAs:
Please refer to page 129 to 198.

V. A parent company only financial statements for the most recent fiscal year, certified by CPAs: Please refer to page 199 to 264.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation.: None.

Section Seven - Review and analysis of the financial position, the financial performance, and the risk assessment.

I. Financial Position

(I) Consolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	1,403,063	33	1,383,056	43	(20,007)	(1)
Financial assets at fair value through profit or loss, current	2,073	0	3,980	0	1,907	92
Contract assets, current	0	0	1,171	0	1,171	100
Notes receivable, net	3,708	0	25,179	1	21,471	579
Accounts receivable, net	948,727	22	330,420	10	(618,307)	(65)
Accounts receivable-related parties, net	302,042	7	122,924	4	(179,118)	(59)
Other receivables	49,101	1	54,459	2	5,358	11
Current income tax assets	262	0	562	0	300	115
Inventories	318,041	8	163,734	5	(154,307)	(49)
Prepayments	17,718	1	12,922	0	(4,796)	(27)
Other financial assets, current	0	0	0	0	0	0
Other assets, current	274	0	233	0	(41)	(15)
Total current assets	3,045,009	72	2,098,640	65	(946,369)	(31)
Financial assets at fair value through other comprehensive income, noncurrent	139,625	3	140,932	4	1,307	1
Investments under equity method	11,257	0	5,554	0	(5,703)	(51)
Property, plant and equipment	914,968	22	824,517	26	(90,451)	(10)
Right-of-use assets	1,305	0	34,309	1	33,004	2,529
Intangible assets	34,158	1	8,987	0	(25,171)	(74)
Deferred income tax assets	80,900	2	80,825	3	(75)	(0)
Net defined benefit asset, noncurrent	12,327	0	20,757	1	8,430	68
Other assets, noncurrent	8,976	0	5,517	0	(3,459)	(39)
Total non-current assets	1,203,516	28	1,121,398	35	(82,118)	(7)

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Total assets	4,248,525	100	3,220,038	100	(1,028,487)	(24)
Short-term loans	52,003	1	0	0	(52,003)	(100)
Financial liabilities at fair value through profit or loss, current	3,905	0	1,714	0	(2,191)	(56)
Contract liabilities, current	63	0	112	0	49	78
Accounts payable	991,065	23	331,828	10	(659,237)	(67)
Accounts payable-related parties	20,890	1	4,256	0	(16,634)	(80)
Other payables	352,714	8	248,566	8	(104,148)	(30)
Other payables-related parties	5,934	0	6,913	0	979	16
Current income tax liabilities	12,449	0	979	0	(11,470)	(92)
Lease liabilities, current	702	0	10,922	0	10,220	1,456
Other liabilities, current	15,667	1	46,697	2	31,030	198
Total current liabilities	1,455,392	34	651,987	20	(803,405)	(55)
Deferred income tax liabilities	3,475	0	4,604	0	1,129	32
Lease liabilities, noncurrent	617	0	23,826	1	23,209	3,762
Long-term notes and accounts payable	0	0	0	0	0	0
Total non-current liabilities	4,092	0	28,430	1	24,338	595
Total liabilities	1,459,484	34	680,417	21	(779,067)	(53)
Common stock share capital	1,445,480	34	1,445,480	45	0	0
Capital Surplus	953,223	22	954,265	29	1,042	0
Legal reserves	176,103	4	195,549	6	19,446	11
Special reserves	0	0	0	0	0	0
Unappropriated earnings (Deficit for compensation)	194,458	5	(26,853)	(1)	(221,311)	(114)
Other equity	19,777	1	(54,736)	(1)	(74,513)	(377)
Total equity attributable to the owners of the parent company	2,789,041	66	2,513,705	78	(275,336)	(10)
Non-controlling equity	0	0	25,916	1	25,916	100

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Total equity	2,789,041	66	2,539,621	79	(249,420)	(9)
Total liabilities and equity	4,248,525	100	3,220,038	100	(1,028,487)	(24)

Changes that exceed 20% and over NT\$10 million and explanation for those changes:

1. Notes receivable, net: Mainly due to the change of payment methods from customers.
2. Accounts receivable, net, Accounts receivable-related parties, net, Inventories: Mainly due to the deep decrease of sales of 2022.
3. Right-of-use assets, Current lease liabilities, Noncurrent lease liabilities: Mainly due to the increase of factory-leasing.
4. Intangible assets: Mainly due to the periodic amortization of 2022.
5. Short-term loans: Mainly due to the repayment of bank loans.
6. Accounts payable, Accounts payable-related parties, Other payables: Mainly due to the decrease of sales and procurements of 2022.
7. Current income tax liabilities: Mainly due to the increase of loss of 2022.
8. Other liabilities, current: Mainly due to the increase of Government's subsidies.
9. Unappropriated earnings (Deficit for compensation) : Mainly due to the increase of loss of 2022.
10. Other equity: Mainly due to the market value dropping of possessing securities.
11. Non-controlling equity: Mainly due to the possessing increase of the invested corporation with only 60% ownership.
12. The above differences belong to normal operation activities and make no significant influence on financial situation.

(II) Parent Company Only Financial Statements

Unit: NT\$ thousand

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	1,292,823	32	1,215,940	40	(76,883)	(6)
Financial assets at fair value through profit or loss, current	2,073	0	3,980	0	1,907	92
Contract assets, current	0	0	0	0	0	0
Accounts receivable, net	606,217	15	242,191	8	(364,026)	(60)
Accounts receivable-related parties, net	614,850	15	248,489	8	(366,361)	(60)
Other receivables	49,198	1	28,217	1	(20,981)	(43)
Current income tax assets	218	0	562	0	344	158
Inventories	259,938	6	140,865	5	(119,073)	(46)

Item	Year		2021		2022		Difference	
	Amount	%	Amount	%	Amount	%		
Prepayments	5,698	0	6,961	0	1,263	22		
Other financial assets, current	0	0	0	0	0	0		
Other assets, current	274	0	233	0	(41)	100		
Total current assets	2,831,289	69	1,887,438	62	(943,851)	(33)		
Financial assets at fair value through other comprehensive income, noncurrent	139,625	4	140,932	4	1,307	1		
Investments under equity method	71,211	2	113,458	4	42,247	59		
Property, plant and equipment	907,089	22	807,252	26	(99,837)	(11)		
Right-of-use assets	353	0	2,458	0	2,105	596		
Intangible assets	34,158	1	8,987	0	(25,171)	(74)		
Deferred income tax assets	80,900	2	80,825	3	(75)	(0)		
Net defined benefit asset, noncurrent	12,327	0	20,757	1	8,430	68		
Other assets, noncurrent	1,495	0	1,511	0	16	1		
Total non-current assets	1,247,158	31	1,176,180	38	(70,978)	(6)		
Total assets	4,078,447	100	3,063,618	100	(1,014,829)	(25)		
Short-term loans	52,003	1	0	0	(52,003)	(100)		
Financial liabilities at fair value through profit or loss, current	3,905	0	1,714	0	(2,191)	(56)		
Contract liabilities, current	63	0	112	0	49	78		
Accounts payable	798,396	20	248,965	8	(549,431)	(69)		
Accounts payable-related parties	99,238	3	41,479	1	(57,759)	(58)		
Other payables	297,992	7	203,276	7	(94,716)	(32)		
Other payables-related parties	5,955	0	1,211	0	(4,744)	(80)		
Current income tax liabilities	12,449	0	0	0	(12,449)	(100)		
Lease liabilities, current	361	0	1,045	0	684	189		
Other current liabilities, others	15,569	1	46,075	2	30,506	196		
Total current liabilities	1,285,931	32	543,877	18	(742,054)	(58)		

Item	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Deferred income tax liabilities	3,475	0	4,604	0	1,129	32
Lease liabilities, noncurrent	0	0	1,432	0	1,432	100
Long-term notes and accounts payable	0	0	0	0	0	0
Total non-current liabilities	3,475	0	6,036	0	2,561	74
Total liabilities	1,289,406	32	549,913	18	(739,493)	(57)
Common stock share capital	1,445,480	35	1,445,480	47	0	0
Capital surplus	953,223	23	954,265	32	1,042	0
Legal reserves	176,103	4	195,549	6	19,446	11
Special reserves	0	0	0	0	0	0
Unappropriated earnings (Deficit for compensation)	194,458	5	(26,853)	(1)	(221,311)	(114)
Other equity	19,777	1	(54,736)	(2)	(74,513)	(377)
Total equity	2,789,041	68	2,513,705	82	(275,336)	(10)
Total liabilities and equity	4,078,447	100	3,063,618	100	(1,014,829)	(25)

Changes that exceed 20% and over NT\$10 million and explanation for those changes:

1. Accounts receivable, net, Accounts receivable-related parties, net, Inventories: Mainly due to the deep decrease of sales of 2022.
2. Other receivables: Mainly due to the decrease of factoring.
3. Investments under equity method: Mainly due to the increase of reinvestment.
4. Intangible assets: Mainly due to the periodic amortization of 2022.
5. Short-term loans: Mainly due to the repayment of bank loans.
6. Accounts payable, Accounts payable-related parties, Other payables: Mainly due to the decrease of sales and procurements of 2022.
7. Current income tax liabilities: Mainly due to the increase of loss of 2022.
8. Other liabilities, current: Mainly due to the increase of Government's subsidies.
9. Unappropriated earnings (Deficit for compensation) : Mainly due to the increase of loss of 2022.
10. Other equity: Mainly due to the market value dropping of possessing securities.
11. The above differences belong to normal operation activities and make no significant influence on financial situation.

II. Financial Performance

(I) Comparative Analysis of Financial Performance

1. Consolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Operating revenues	4,396,109	100	2,410,672	100	(1,985,437)	(45)
Operating costs	3,773,988	86	2,103,304	87	(1,670,684)	(44)
Gross profit	622,121	14	307,368	13	(314,753)	(51)
Operating expenses	561,003	13	480,180	20	(80,823)	(14)
Operating income	61,118	1	(172,812)	(7)	(233,930)	(383)
Non-operating income and expenses	45,795	1	31,738	1	(14,057)	(31)
Income from continuing operations before income tax	106,913	2	(141,074)	(6)	(247,987)	(232)
Income tax expense (profit)	18,602	0	1,172	0	(17,430)	(94)
Net income	88,311	2	(142,246)	(6)	(230,557)	(261)

Changes that exceed 20% and over NT\$10 million and explanation for those changes:

1. Operating revenues, Operating costs, Gross profit: Mainly due to the change of customers' need.
2. Operating income, Income from continuing operations before income tax, Net income: The sales of 2022 dropped deeply, but the operation expenses did not decrease at the same degree.
3. Non-operating income and expenses: Mainly due to the increase of loss from the financial assets (liabilities) at fair value through profit or loss.
4. Income tax expense: Mainly due to the increase of loss in this period.

2. Parent Company Only Financial Statements

Unit: NT\$ thousand

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Operating revenues	4,159,857	100	2,186,918	100	(1,972,939)	(47)
Operating costs	3,595,440	86	1,948,006	89	(1,647,434)	(46)
Gross profit	564,417	14	238,912	11	(325,505)	(58)
Unrealized profit from sales	(8,067)	0	(3,924)	0	4,143	(51)
Realized profit from sales	2,002	0	8,067	0	6,065	303
Gross profit, net	558,352	14	243,055	11	(315,297)	(56)
Operating expenses	492,178	12	405,466	19	(86,712)	(18)
Operating income	66,174	2	(162,411)	(8)	(228,585)	(345)

Item \ Year	2021		2022		Difference	
	Amount	%	Amount	%	Amount	%
Non-operating income and expenses	40,739	1	21,314	1	(19,425)	(48)
Income from continuing operations before income tax	106,913	3	(141,097)	(7)	(248,010)	(232)
Income tax expense (profit)	18,602	1	107	0	(18,495)	(99)
Net income	88,311	2	(141,204)	(7)	(229,515)	(260)

Changes that exceed 20% and over NT\$10 million and explanation for those changes:

1. Operating revenues, Operating costs, Gross profit: Mainly due to the change of customers' need.
2. Operating income, Income from continuing operations before income tax, Net income: The sales of 2022 dropped deeply, but the operation expenses did not decrease at the same degree.
3. Non-operating income and expenses: Mainly due to the increase of loss from the financial assets (liabilities) at fair value through profit or loss.
4. Income tax expense: Mainly due to the increase of loss in this period.

3. Expected sales volume and its basis, its possible impact on the Company's finance and business and response plan: The company did not disclose 2022 financial forecast and does not plan to disclose related effects and plans.

III. Cash Flow

(I) Analysis of Cash Flow for the most recent year

Item \ Year	2021	2022	Ratio Change (%)
Cash Flow Ratio (%)	48.06	41.44	(13.77)
Cash Flow Adequacy Ratio (%)	53.21	61.63	15.82
Cash Reinvestment Ratio (%)	13.83	4.17	(69.85)

Analysis of changes in cash flow:

1. Cash Flow Ratio (%), Cash Reinvestment Ratio (%): Mainly due to the inflow decrease from operating activities of 2022.
2. Cash Flow Adequacy Ratio (%): Mainly due to the substantially decrease in inventories.

(II) Remedy for Cash Deficit and Liquidity: Not applicable.

(III) Analysis of Cash Flow for the Coming Year:

Unit: NT\$ thousand

Cash and cash equivalents at Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Estimated Cash at the End of the Year	Remedial Measures of Cash Flow Shortfalls	
				Investment Plans	Financing Plans
1,383,056	172,600	215,700	1,339,956	—	—

Analysis of cash flow liquidity in the coming year:

1. Operating Activities: Net cash inflow from normal operating activities.
2. Investing Activities: Cash outflow due to fixed assets purchasing or investment.
3. Financing Activities: Cash outflow from loan repaying.

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.

V. The reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

(I) Re-investment policies in the most recent year:

The Company establishes "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" defined by the competent authority. To enhance the supervision over the investees, the Company has established a "Subsidiary Management Policy" as part of its internal control system to regulate information disclosure, business, inventory, and financial management of the invested companies. The Company also performs audits on a regular basis and establishes relevant operational risk mechanisms to maximize the effectiveness of the Company's reinvestment businesses.

(II) Main Causes for Profits or Losses of Investment and Improvement Plans:

2022 invested companies, except Asphetek Solution Inc, do not have losses. Asphetek Solution Inc. established on July 25, 2022 without revenue, thus it has loss in 2022.

(III) Investment Plans for the Coming Year: None.

VI. Analysis of Risk Management

(I) The Impacts of Interest Rates, Foreign Exchange Rates and Inflation on Corporate Profitability and Future Response Measures

1. Interest rate: The Company allocates capital in a conservative manner and with good liquidity as the operating principles. The Company maintains good relations with banks and has sufficient borrowing limits to adjust its capital operation depending on changes in interest rates to reduce the impact of changes in interest rates on the Company's profit and loss.

2. Exchange rate:

(1) Effect on the Company's profit or loss

Unit: NT\$ thousand

Item \ Year	2021	2022
Net operating revenues(1)	4,396,109	2,410,672
Gain/Loss on foreign currency exchange(2)	13,609	27,914
Gain/Loss on financial assets or liabilities at FVTPL(3)	(720)	(16,879)
(2)+(3)/(1)	0.29%	0.46%

(2) Future countermeasures

The Company's sales transactions are mainly denominated in USD and CNY, and the purchase transactions are mainly in USD and NTD. The exchange rate risk of some purchases and sales adopts the natural hedging principle, and therefore only foreign currency net assets or liabilities are hedged. The Company assigns personnel to keep track of changes in exchange rates and the international situation, judge exchange rate trends carefully, and engage in foreign currency hedging transactions to effectively reduce exchange rate risks.

3. Inflation: Due to the recent price surge of raw materials, the war in Russia and Ukraine, and the unresolved supply chain bottlenecks, the overall economic environment presents a trend of inflation, but the Company's operations have not been significantly affected by inflation. In addition, the Company keeps track of global political and economic changes and the pulse of market prices, and maintains good interaction with suppliers and customers, so that the procurement and sales strategies can be adjusted in a timely manner and business operations are not subject to major threats.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk and High-leveraged Investments, Lending, Endorsement and Guarantee and Derivatives Transactions.

1. The Company focuses on its core business and does not engage in high-risk and highly leveraged investments.
2. The Company has established regulations such as "Procedures for Acquisition or Disposal of Assets," "Endorsement and Guarantee Regulations," and "Procedures for Loaning of Funds to Others" as the basis for relevant practices of the Company and its subsidiaries. In the most recent year and as of the publication date of this annual report, there was no loaning of funds to others or endorsements/guarantees for others.
3. The Company's financial derivative transactions are foreign exchange forwards and foreign exchange swap transactions to hedge foreign exchange risks. All operations are carried out in accordance with the relevant regulations.

(III) Future R&D Projects and Estimated R&D Expenses

The Company continues to invest in the backlight application market for mobile phones, tablets, Monitor, and TV sets, and introduced smaller, thinner and higher luminous efficiency products to maintain market share. The automotive Mini LED backlight market continues to expand. The Company's automotive Mini LED backlight solutions are expected to grow significantly. Benefited from the Company's Package on Board (POB) solution, the market share of high-end Mini LED TVs is expected to increase; 0.3 mm ultra-thin LED components used in mobile phones, tablets, and thinning have significant benefits and are expected to increase shipments. The ultra-low power consumption solution LED, which is applied to energy-saving NBs, monitors, and commercial display TVs, is also one of the mainstream products this year.

The Company has started shipping automotive interior and exterior lighting components, as well as vehicle headlamps, tail lamps, and direction signal lamp modules, which gradually

increase the proportion of revenue and profit. The market will also extend to Southeast Asia; The Company continues joint development of the Mini LED vehicle lamp solution with its customer and the same for the development of head-up display (HUD) light source solutions for automobiles and hard hats, which will also contribute to the revenue and profit for this year.

The Company's Bluetooth proximity switch sensing components have entered the markets in China and South Korea and are growing steadily. We have also completed the joint development of a new ultra-thin solution with customers. It is expected to start mass production in the second quarter of this year striving for a larger market share. Due to Covid-19, the demand for the Company's heartbeat and blood oxygen sensing components continues to grow, and they have become the mainstream functional accessories for watches and wristbands. There are nearly 200 million pieces of watchband demand per year, and growth is expected. Continue shipping the mobile phone proximity switch components, which is expected to expand into the Korean market and expand the market scale.

The company will enter new application fields such as VR, AR, and thin small-size high-power semiconductor packaging. The dual themes of Metaverse and self-driving cars will be developed and verified through cooperation with customers. The sample has entered the trial production stage. It is estimated that the R&D expenditure in 2023 will be about 5% of revenue.

(IV) Effects and Response Measures for Changes in Domestic and International Policies or Regulations Relating to Corporate Finance and Business

The Company operates in the green energy industry, which is not restricted by special laws and regulations. The Company complies with relevant domestic and foreign laws and regulations in its operation and management, and always pays attention to important changes in policies and laws at home and abroad to ensure the smooth operation of the Company. In the most recent year and up to the publication date of the annual report, the Company has not experienced any significant impact on the financial operations of the Company due to changes in important domestic and foreign policies and laws.

(V) Effects and Response Measures for Changes in Technology (Including Cyber Security Risks) and the Industry Relating to Corporate Finance and Business

The Company continues to invest substantial resources in the research and development of new technologies, and fully grasp the pulse of the industry and industrial changes. The Company also observes the pulse of future technologies and adjusts the corporate strategy as appropriate. Cyber security risks are also closely monitored. In the most recent year and up to the publication date of the annual report, the Company has not experienced any material impact on the financial business of the Company due to changes in technology, cyber security risks, and industrial changes.

(VI) The Impact of Corporate Image Change on Corporate Crisis Management and Response Measures

The Company attaches great importance to its corporate social responsibilities and upholds the principles of ethical corporate management, and complies with relevant laws and regulations, while maintaining harmonious labor-management and stakeholder relations. In addition, the

Company has implemented a spokesperson system to have a designated person responsible for responding to suggestions from all walks of life and shareholders to maintain the Company's credibility and image. In the most recent year and up to the publication date of the annual report, the Company has not experienced any corporate crisis or crisis management situation due to changes in corporate identity.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.

(IX) Risks and Response Measures for Excessive Concentration of Purchasing Sources or Customers

In terms of purchase, the Company's raw materials mainly include LED crystal grains, substrates, lead frames, encapsulants, and phosphors. LED crystal grains are the main procurement item for the Company. To reduce the risk of purchase concentration, apart from selecting the best suppliers at home and abroad, all of them must pass the internal evaluation and related verification work. In addition, we also maintain more than two suppliers and establish good cooperative relations with domestic and foreign suppliers. Dedicated personnel are assigned to evaluate suppliers and inquire the prices of important raw materials on a regular basis to ensure the stability of supply quality and ensure that there is no chance of supply shortage.

In terms of sales, the Company's sales customers are mainly panel factories, mobile phone factories, and TV factories in the Asia Pacific region. Transactions between both parties have been frequent and the relationship is good. However, the Company not only continues to strengthen the existing customer base, but also actively explores new products and new customers to diversify the risk of sales concentration.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(XIII) Other important risks, and mitigation measures being or to be taken: None.

VII. Other Important Matters: None.

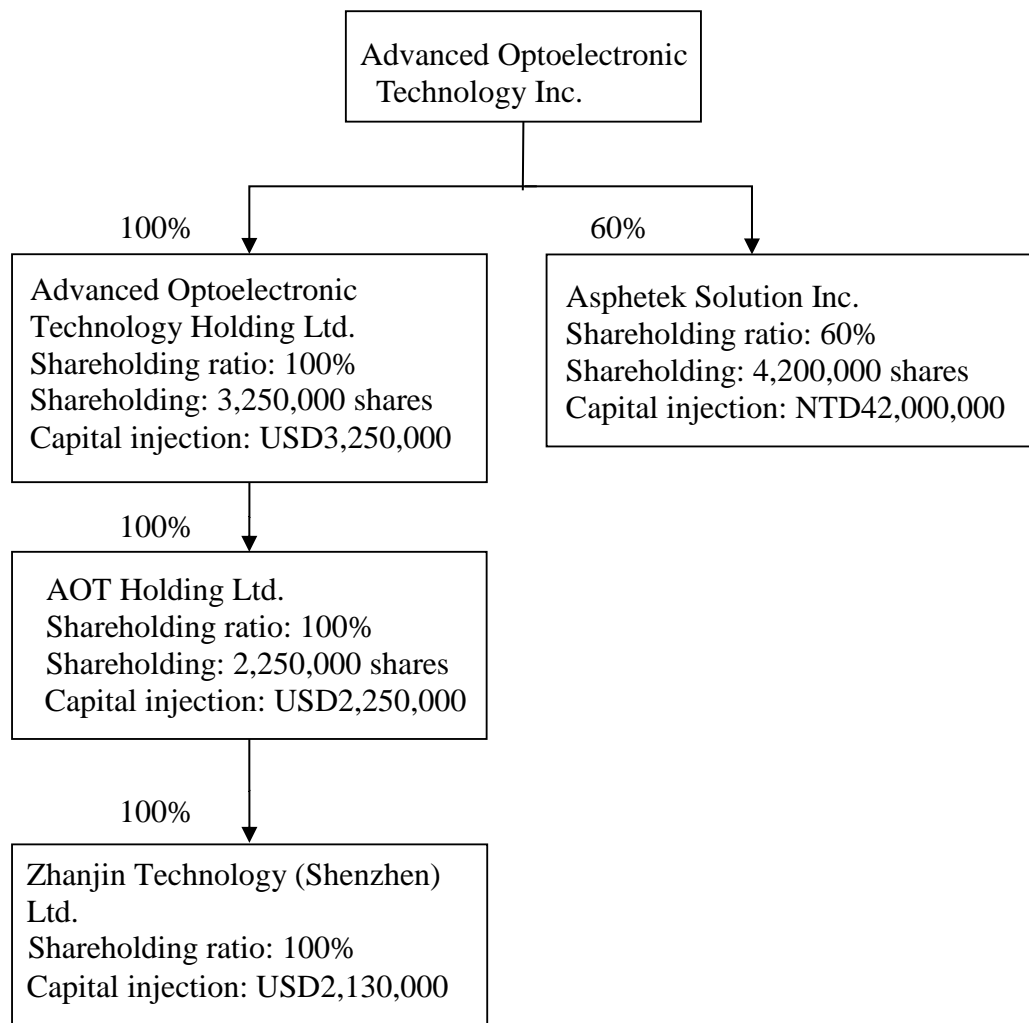
Section Eight - Special Items

I. Information Related to the Company's Affiliates

(I) Consolidated business report of affiliated enterprises

1. Profile of affiliated enterprises:

(1) Organization chart (Dec. 31, 2022)



(2) Basic information of affiliated enterprises

Dec. 31, 2022
Unit: NT\$ thousand

Company	Date of Establishment	Address	Paid-in Capital	Major Business/Production Items
Asphetek Solution Inc.	2022.07.25	(Note 1)	70,000	Manufacture and sale of electronic components
Advanced Optoelectronic Technology Holding LTD.	2003.11.18	(Note 2)	99,811 (Note 5)	Investment
AOT Holding LTD.	2003.11.18	(Note 3)	67,632 (Note 6)	Investment
Zhanjing Technology (Shenzhen) Ltd.	2004.05.12	(Note 4)	63,698 (Note 7)	Technology development, wholesale, import/export and related ancillary services of new electronic components and electronic products.

Note 1: No.7-1, Siwei Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan, R.O.C.

Note 2: P.O.BOX 1225, Apia, Samoa.

Note 3: P.O.BOX 1225, Apia, Samoa.

Note 4: 1109, Jinluan Times Building, Heping East Road, Longhua Street Longhua District Shenzhen city.

Note 5: The original capital injection is USD 3,250,000.

Note 6: The original capital injection is USD 2,250,000.

Note 7: The original capital injection is USD 2,130,000.

(3) Shareholders in common of the company and its affiliates with deemed control and subordination under Article 369-3 of the Company Act: None.

(4) Business scope of the company and its affiliated enterprises:

A. Business scope of the company and its affiliates: Please refer to “Basic information of affiliated enterprises”.

B. The interlinking of the businesses conducted between the related enterprises:

Advanced Optoelectronic Technology Holding LTD. and AOT Holding LTD. are holding companies and are in charge of abroad investment; as to the trading between Advanced Optoelectronic Technology Inc. and Zhanjing Technology (Shenzhen) Ltd., Advanced Optoelectronic Technology Inc. sells LED components to Zhanjing Technology (Shenzhen) Ltd., then Zhanjing Technology (Shenzhen) Ltd. sells Lightbar to customers in China. Major business of Asphetek Solution Inc. is manufacture and sale of electronic components, and its products do not overlap with AOTs’.

(5) Directors, supervisors and presidents of affiliated enterprises:

Dec. 31, 2022

Unit: NT\$ thousand; Shares: thousand

Company	Title	Name or representative	Shareholding	
			Shares	%
Asphetek Solution Inc.	Chairman	Advanced Optoelectronic Technology Inc. Representative: Fang, Jung-Hsi	4,200	60%
	Director	Advanced Optoelectronic Technology Inc. Representative: Huang, Yu-Liang	4,200	60%
	Director	Advanced Optoelectronic Technology Inc. Representative: Huang, Yen-Heng	4,200	60%
	General Manager	Huang, Yen-Heng	300	4.29%
	Supervisor	Cheng, Chen- Hsun	100	1.43%
Advanced Optoelectronic Technology Holding LTD.	Director	Advanced Optoelectronic Technology Inc. Representative: Fang, Jung-Hsi	3,250	100%
AOT Holding LTD.	Director	Advanced Optoelectronic Technology Holding LTD. Representative: Fang, Jung-Hsi	2,250	100%
Zhanjing Technology (Shenzhen) Ltd.	Executive Director	AOT Holding LTD. Representative: Huang, Yu-Liang	USD: 2,130 (Note 1)	100%
	General Manager	Huang, Yu-Liang	—	—

Note 1: It is a limited company and here shows paid-in capital only.

2. Operating highlights of the company's subsidiaries

Dec. 31, 2022
Unit: NT\$ thousand

Company	Paid-in Capital	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operating	Net Income (Loss)	Earnings (Loss) Per Share
Asphetek Solution Inc.	70,000	117,876	53,086	64,790	0	(7,679)	(5,210)	(0.74)
Advanced Optoelectronic Technology Holding LTD.	99,811	74,584	0	74,584	0	0	3,411	0.03
AOT Holding LTD.	67,632	78,425	0	78,425	0	0	3,402	0.05
Zhanjing Technology (Shenzhen) Ltd.	63,698	366,125	288,335	77,790	652,697	(2,723)	3,338	NA

(II) Consolidated financial statements of affiliated enterprises:

The entities that are required to be included in the combined financial statements of Advanced Optoelectronic Technology Inc. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Advanced Optoelectronic Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

(III) Affiliation report: Not applicable.

II. Private Placement Securities in the Most Recent Years: None.

III. Holding or Disposition of the Company Stocks by Subsidiaries: None.

IV. Special Notes: None.

V. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Act:

- (I) The dishonoring of negotiable instruments due to insufficient deposit, the refusal to transact by banking services, or other events that result in the loss of good credit standing: None.
- (II) Litigation, non-litigious proceeding, administrative disposition, administrative dispute, security procedure, or compulsory execution, which has had a significant impact on the financial status or business of the company: None.
- (III) Serious drop in the output, complete or partial suspension of work, lease of the company factory or its main facilities, or complete or partial pledge of the material assets which has had a significant impact on the company business: None.
- (IV) Any event specified under Article 185, paragraph 1 of the Company Act: None.
- (V) Judgment by the competent court to prohibit the transfer of the company's shares under Article 287, paragraph 1, item 5 of the Company Act: None.
- (VI) Change in the chairman of the board, general manager, or one-third or more of the directors of the company: None.
- (VII) Change in the auditing and certifying accountant. However, where the change is due to internal adjustments in the accounting office, this "matter" shall not be included "in the above definition": None.
- (VIII) Execution, amendment, termination and rescindment of the important memoranda, strategic alliances or other cooperative business plans, or important contracts, change in the material contents of the business plan, completion of new product development, successful development of trial products and formal entrance into mass production, or acquisition of other enterprises, acquisition or assignment of patent rights, exclusive trademark use rights, copyrights, or other intellectual property rights transactions, which have a major effect on the finances or business of the company: None.
- (IX) Other important events that have had significant impact on the continuation of company operation: None.

Advanced Optoelectronic Technology Inc.

Representation Letter

The entities that are required to be included in the combined financial statements of Advanced Optoelectronic Technology Inc. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10,

“Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the company does not prepare a separate set of combined financial statements.

Very Truly Yours,

Company name: Advanced Optoelectronic Technology Inc.

Chairman: Fang, Jung-Hsi

Date: March 10, 2023

Independent Auditors' Report

(2023) Cai-Shen-Bao-Zi No. 22004547

To: Advanced Optoelectronic Technology Inc.

Audit opinion

We have audited the accompanying consolidated balance sheet of Advanced Optoelectronic Technology Inc. and its Subsidiaries (“Advanced Optoelectronic Technology Group”) as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated changes in equity and cash flow for the years then ended, and the notes to the consolidated financial statements, (including a summary of significant accounting policies).

In our opinion, based on the audit results of the Independent auditors and the audit report of other accountants (please refer to the other-matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Optoelectronic Technology Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC).

Basis for audit opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are Independent of the Advanced Optoelectronic Technology Group in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit report of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the Advanced Optoelectronic Technology Group for the year ending December 31st, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the 2022 consolidated financial statements of Advanced Optoelectronic Technology Group are as below:

Inventory valuation

Description of matters

For descriptions of the accounting policies, accounting estimates, and the uncertainties of accounting estimates for inventory valuation and assumptions, and accounting items, please see Notes IV (XII), V (II) and VI (V) to the consolidated financial statements.

The principal business of the Advanced Optoelectronic Technology Group is the manufacture and sale of light-emitting diodes. Due to a large number of competitors from China manufacturers, the commodity prices may be vulnerable to fluctuations or the product sale may not be as expected, which may affect the estimation result of the net realizable value of inventory valuation.

The Advanced Optoelectronic Technology Group adjusts its inventory requirements in response to the sales market and development strategies. Since LEDs are the main sales commodity, the related inventory amount is significant. The management evaluates the inventory according to the lower cost and net realizable value. Because the above process involves subjective judgments, we believe that the accounting estimate has a significant impact on the assessment of inventory value, so it is listed as one of the most important matters during the audit.

Corresponding audit procedures

The audit procedures we have executed for the key audit matters are as follows:

1. We have evaluated the policy adopted for the allowance for inventory write-down based on our understanding of the nature of the Advanced Optoelectronic Technology Group's operations and industry.
2. We have tested the basis for the net realizable value to see whether it complies with the policy of the Advanced Optoelectronic Technology Group. Calculation is performed by taking the sales and net realizable value of the individual inventory number from random sampling.
3. Obtain obsolete inventory details identified by the management, review related documents and reconcile the records contained in the accounts.

Other matters - audits conducted by other CPAs

For some of the investees listed in the consolidated financial statements of the Advanced Optoelectronic Technology Group which are accounted for using the equity method, their financial statements are not audited and verified by us but by other independent auditors. Therefore, in our opinion of the above-mentioned consolidated financial statements, the amounts of these investees mentioned are based on the audit reports of other independent auditors. The investment in the aforementioned companies under the equity method was NT\$0, accounting for 0% of the total consolidated assets as of December 31, 2021. The comprehensive income was (NT\$13,660) thousand, accounting for 9% of the total consolidated comprehensive income.

Other Matters - Parent Company Only Financial Statements

Advanced Optoelectronic Technology Inc. has prepared the parent company only financial statements for 2022 and 2021. We have issued an independent auditor's report with an unmodified opinion and an unmodified opinion and other-matter paragraph for reference.

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

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

In preparing the consolidated financial statements, the management is responsible for assessing Advanced Optoelectronic Technology Group's capability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Advanced Optoelectronic Technology Group, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing Advanced Optoelectronic Technology Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards of the Republic of China will always detect a material misstatement when it exists. Misstatement may result from fraud or error. Misstatements are considered material, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercised professional judgment and skepticism during the audit in accordance with the Auditing Standards of the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, and the reasonableness of the accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting based on the audit evidence obtained, and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The matters communicated between us and the governing body include the planned scope and time of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships that may be thought to undermine our independence and other matters (including related protective measures).

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Lin, Po-Chuan

Accountant

Chang, Shu-Chiung

Financial Supervisory Commission

Approval No.: Jin -Guan-Zheng-Shen - Zi No. 1100350706

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin -Guan-Zheng-Shen - Zi No. 0990042602

March 10 , 2023

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 1,383,056	43	\$ 1,403,063	33
1110	Financial assets at fair value through profit or loss (FVTPL) - Current	VI (II)	3,980	-	2,073	-
1140	Contract assets - current		1,171	-	-	-
1150	Notes receivable, net	VI (III)	25,179	1	3,708	-
1170	Accounts receivable, net	VI (III)	330,420	10	948,727	22
1180	Accounts receivable - related parties, net	VI (III) and (VII)	122,924	4	302,042	7
1200	Other receivables	VI (IV) and VII	54,459	2	49,101	1
1220	Current income tax assets		562	-	262	-
130X	Inventory	VI (V)	163,734	5	318,041	8
1410	Prepayments		12,922	-	17,718	1
1479	Other current assets - others		233	-	274	-
11XX	Total of current assets		<u>2,098,640</u>	<u>65</u>	<u>3,045,009</u>	<u>72</u>
Non-current assets						
1517	Financial assets at FVTOCI - non-current	VI (VI)	140,932	4	139,625	3
1550	Investment under equity method	VI (VII)	5,554	-	11,257	-
1600	Property, plant, and equipment	VI (VIII) (XI)	824,517	26	914,968	22
1755	Right-of-use assets	VI (IX)	34,309	1	1,305	-
1780	Intangible assets	VI (X)	8,987	-	34,158	1
1840	Deferred tax assets	VI (XXIV)	80,825	3	80,900	2
1975	Net defined benefit assets - non-current	VI (XV)	20,757	1	12,327	-
1990	Other non-current assets - others		5,517	-	8,976	-
15XX	Total non-current assets		<u>1,121,398</u>	<u>35</u>	<u>1,203,516</u>	<u>28</u>
1XXX	Total assets		<u>\$ 3,220,038</u>	<u>100</u>	<u>\$ 4,248,525</u>	<u>100</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	VI (XII)	\$ -	-	\$ 52,003	1
2120	Financial liabilities at fair value through profit or loss - Current	VI (II)	1,714	-	3,905	-
2130	Contract liabilities - current	VI (XIX)	112	-	63	-
2170	Accounts payable		331,828	10	991,065	23
2180	Accounts payable - related parties	VII	4,256	-	20,890	1
2200	Other payables	VI (XIII)	248,566	8	352,714	8
2220	Other payables - related parties	VII	6,913	-	5,934	-
2230	Current income tax liabilities		979	-	12,449	-
2280	Lease liabilities - current		10,922	-	702	-
2399	Other current liabilities - others		46,697	2	15,667	1
21XX	Total of current liabilities		<u>651,987</u>	<u>20</u>	<u>1,455,392</u>	<u>34</u>
Non-current liabilities						
2570	Deferred income tax liabilities	VI (XXIV)	4,604	-	3,475	-
2580	Lease liabilities - non-current		23,826	1	617	-
25XX	Total of non-current liabilities		<u>28,430</u>	<u>1</u>	<u>4,092</u>	<u>-</u>
2XXX	Total liabilities		<u>680,417</u>	<u>21</u>	<u>1,459,484</u>	<u>34</u>
Equity						
Share capital						
3110	Common stock share capital	VI (XVI)	1,445,480	45	1,445,480	34
Capital Surplus						
3200	Capital Surplus	VI (XVII)	954,265	29	953,223	22
Retained earnings						
3310	Legal reserves	VI (XVIII)	195,549	6	176,103	4
3350	Undistributed earnings (losses to be compensated)		(26,853)	(1)	194,458	5
Other equity						
3400	Other equity		(54,736)	(1)	19,777	1
31XX	Total equity attributable to parent company shareholders		<u>2,513,705</u>	<u>78</u>	<u>2,789,041</u>	<u>66</u>
36XX	Non-controlling equity		<u>25,916</u>	<u>1</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>2,539,621</u>	<u>79</u>	<u>2,789,041</u>	<u>66</u>
Significant Contingent Liabilities and Unrecognized Commitments						
3X2X	Total liabilities and equity		<u>\$ 3,220,038</u>	<u>100</u>	<u>\$ 4,248,525</u>	<u>100</u>

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman: Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	VI (XIX) and VII	\$ 2,410,672	100	\$ 4,396,109	100
5000	Operating cost	VI (V) (XIII) and VII	(2,103,304)	(87)	(3,773,988)	(86)
5900	Gross profit		<u>307,368</u>	<u>13</u>	<u>622,121</u>	<u>14</u>
	Operating expenses	VI (XXIII) and VII				
6100	Sales and marketing expenses		(189,115)	(8)	(264,817)	(6)
6200	Administrative expenses		(217,378)	(9)	(204,568)	(5)
6300	R&D expenses		(82,078)	(3)	(87,962)	(2)
6450	Expected credit impairment gain (loss)	XII (II)	<u>8,391</u>	-	(3,656)	-
6000	Total operating expenses		(480,180)	(20)	(561,003)	(13)
6900	Operating income (loss)		(172,812)	(7)	61,118	1
	Non-operating income and expense					
7100	Income from interest		9,805	-	4,172	-
7010	Other income	VI (XX) and VII	17,411	1	32,096	1
7020	Other gains and losses	VI (XXI)	5,013	-	19,570	-
7050	Financial cost	VI (XXII)	(3,550)	-	(2,902)	-
7060	Share of the profit or loss of the affiliated companies and joint ventures under the equity method	VI (VII)	<u>3,059</u>	-	(7,141)	-
7000	Total non-operating income and expenses		<u>31,738</u>	<u>1</u>	<u>45,795</u>	<u>1</u>
7900	Net income (loss) before tax		(141,074)	(6)	106,913	2
7950	Income tax expenses	VI (XXIV)	(1,172)	-	(18,602)	-
8200	Net income (loss) in the current period		<u>(\$ 142,246)</u>	<u>(6)</u>	<u>\$ 88,311</u>	<u>2</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

Items	Notes	2022		2021		
		Amount	%	Amount	%	
Other comprehensive income (net)						
Items not reclassified to profit or loss						
8311	Remeasurement of defined benefit plans	VI (XV)	\$ 5,483	-	\$ 2,377	-
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	VI (VI)	(75,607)	(3)	59,244	1
8349	Income tax related to items not reclassified	VI (XXIV)	(1,097)	-	(475)	-
8310	Total of items not reclassified to profit or loss		(71,221)	(3)	61,146	1
Items that may be reclassified subsequently to profit or loss						
8361	Exchange difference on translation of the financial statement of foreign operations		980	-	(521)	-
8370	Share of other comprehensive income of affiliates and joint ventures accounted for under the equity method - items that may be reclassified as income	VI (VII)	238	-	438	-
8360	Total of items that may be reclassified subsequently to profit or loss		1,218	-	(83)	-
8300	Other comprehensive income (loss) - net amount after tax		(\$ 70,003)	(3)	\$ 61,063	1
8500	Total comprehensive income (loss) in the current period		(\$ 212,249)	(9)	\$ 149,374	3
Net profit or loss attributable to:						
8610	Owner of the parent company		(\$ 141,204)	(6)	\$ 88,311	2
8620	Non-controlling equity		(1,042)	-	-	-
			(\$ 142,246)	(6)	\$ 88,311	2
Total comprehensive income attributable to:						
8710	Owner of the parent company		(\$ 211,207)	(9)	\$ 149,374	3
8720	Non-controlling equity		(1,042)	-	-	-
			(\$ 212,249)	(9)	\$ 149,374	3
Earnings per share (Loss)						
9750	Basic earnings (loss) per share	VI (XXV)	(\$ 0.98)		\$ 0.61	
9850	Diluted earnings (loss) per share		(\$ 0.98)		\$ 0.61	

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Notes	Equity attributable to owners of parent company											Non-controlling equity	Total equity	
	Capital Surplus					Retained earnings			Other equity					
	Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	Undistributed earnings (losses to be compensated)	Exchange difference in the translation of the financial statement of foreign operations	Financial assets at FVTOCI - Unrealized gains or losses	Total			
2021														
Balance at January 1, 2021	\$ 1,445,480	\$ 936,594	\$ 5,723	\$ 10,976	\$ 48	\$ 194,720	\$ 45,825	(\$ 64,442)	(\$ 5,547)	\$ 70,408	\$ 2,639,785	\$ -	\$ 2,639,785	
Net income for the period	-	-	-	-	-	-	-	88,311	-	-	88,311	-	88,311	
Other comprehensive income (loss)	VI (VI)	-	-	-	-	-	-	1,902	(83)	59,244	61,063	-	61,063	
Total comprehensive income (loss)		-	-	-	-	-	-	90,213	(83)	59,244	149,374	-	149,374	
Appropriation and distribution of retained earnings for 2020:														
Legal reserve used to make up losses		-	-	-	-	(18,617)	-	18,617	-	-	-	-	-	
Reversal of special reserve		-	-	-	-	-	(45,825)	45,825	-	-	-	-	-	
Proceeds from accepting gifts		-	177	-	-	-	-	-	-	-	177	-	177	
Changes recognized under equity method	VI (VII)	-	-	(295)	-	-	-	-	-	-	(295)	-	(295)	
Equity instruments measured at fair value through other comprehensive income	VI (VI)	-	-	-	-	-	-	104,245	-	(104,245)	-	-	-	
Balance at December 31, 2021		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041	\$ -	\$ 2,789,041
2022														
Balance at January 1, 2022		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041	\$ -	\$ 2,789,041
Current net loss		-	-	-	-	-	-	(141,204)	-	-	(141,204)	(1,042)	(142,246)	
Other comprehensive income (loss)	VI (VI)	-	-	-	-	-	-	4,386	1,218	(75,607)	(70,003)	-	(70,003)	
Total comprehensive income (loss)		-	-	-	-	-	-	(136,818)	1,218	(75,607)	(211,207)	(1,042)	(212,249)	
Appropriation and distribution of 2021 earnings:	VI (XVIII)													

Advanced Optoelectronic Technology Inc. and its Subsidiaries
 Consolidated Statement of Changes in Equity
 January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Notes	Equity attributable to owners of parent company											Non-controlling equity	Total equity	
	Capital Surplus				Retained earnings				Other equity					
	Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	Undistributed earnings (losses to be compensated)	Exchange difference in the translation of the financial statement of foreign operations	Financial assets at FVTOCI - Unrealized gains or losses	Total			
Provision of legal reserve	-	-	-	-	-	19,446	-	(19,446)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	(65,047)	-	-	(65,047)	-	(65,047)	
Changes recognized under equity method	VI (XXVI)	-	-	1,042	-	-	-	-	-	-	1,042	(1,042)	-	
Disposal of investment under equity method		-	-	-	-	-	-	-	(124)	-	(124)	-	(124)	
Increase in non-controlling interests		-	-	-	-	-	-	-	-	-	-	28,000	28,000	
Balance at December 31, 2022		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 11,723	\$ 48	\$ 195,549	\$ -	(\$ 26,853)	(\$ 4,536)	(\$ 50,200)	\$ 2,513,705	\$ 25,916	\$ 2,539,621

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman: Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2022	January 1 - December 31, 2021
<u>Cash flow from operating activities</u>			
Net income before tax (net loss) in the current period		(\$ 141,074)	\$ 106,913
Adjustment items			
Income/expenses that do not affect cash flow			
Depreciation expenses	VI (XXIII)	191,668	195,101
Amortized expenses	VI (X) (XXIII)	26,328	26,124
Expected credit impairment (gain) loss	XII (II)	(8,391)	3,656
Losses on financial assets and liabilities at FVTPL	VI (II) (XXI)	16,879	720
Interest expense	VI (XXII)	3,550	2,902
Income from interest		(9,805)	(4,172)
Dividend income	VI (XX)	(3,075)	(219)
The share of (profit) loss on the affiliated companies under the equity method	VI (VII)	(3,059)	7,141
Loss (gain) on disposal of property, plant and equipment	VI (XXI)	461	(6,685)
Gains on disposal of investment accounted for using equity method	VI (XXI)	(636)	-
Property, plant and equipment recognized as expenses		552	183
Impairment losses of property, plant and equipment	VI (VIII) (XI) (XXI)	6,197	-
Gains on bargain purchase	VI (XX)	-	(1,612)
Gains on lease modification	VI (IX) (XXI)	-	(3)
Changes in operating activities related assets/liabilities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss (FVTPL) - Current		(1,907)	3,880
Contract assets - current		(1,171)	-
Notes receivable		(21,471)	(1,553)
Accounts receivable		624,474	426,495
Accounts receivable - related parties		181,228	5,731
Other receivables		(4,490)	8,068
Inventory		154,307	45,739
Prepayments		4,796	(1,399)
Other current assets - others		41	(274)
Net changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss - Current		(19,070)	(9,389)
Contract liabilities - current		49	(931)
Accounts payable		(659,237)	(52,979)
Accounts payable - related parties		(16,634)	(12,811)
Other payables		(79,753)	(14,240)
Other payables - related parties		979	(18,018)
Other current liabilities - others		31,030	(10,333)
Net defined benefit obligation		(2,947)	(1,081)
Cash inflow from operations		269,819	696,954
Interest received		8,937	3,889
Dividends received		7,497	1,622

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	<u>Notes</u>	<u>January 1 - December 31, 2022</u>	<u>January 1 - December 31, 2021</u>
Interest paid		(\$ 3,261)	(\$ 3,088)
Income tax refunded		-	187
Income tax paid		(12,830)	(119)
Net cash inflow from operating activities		<u>270,162</u>	<u>699,445</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2022	January 1 - December 31, 2021
<u>Cash flows from investing activities</u>			
Financial assets at amortized cost - current decrease		-	800
Acquisition of financial assets at fair value through other comprehensive income - non-current		(76,914)	-
Disposal of financial assets at fair value through other comprehensive income - non-current	VI (VI)	-	184,245
Investment under equity method acquired	VI (VII)	-	(879)
Disposal of investment under equity method	VI (VII)	5,089	-
Acquisition of property, plant, and equipment	VI (XXVII)	(112,415)	(120,112)
Disposal of property, plant, and equipment		74	6,685
Acquisition of intangible assets	VI (XXVII)	(16,608)	(17,568)
Decrease (increase) of other non-current assets - others		3,459	(3,042)
Net cash inflow (outflow) from investing activities		(197,315)	50,129
<u>Cash flow from financing activities</u>			
Net decrease in short-term borrowings	VI (XXVIII)	(52,003)	(387,449)
Repayment of lease principal	VI (XXVIII)	(4,765)	(2,195)
Distribution of cash dividends	VI (XVIII)	(65,047)	-
Increase in non-controlling interests		28,000	-
Proceeds from accepting gifts		-	177
Net cash outflow from financing activities		(93,815)	(389,467)
Effect of exchange rate changes on cash and cash equivalents		961	(2,087)
Current cash and cash equivalents increase (decrease)		(20,007)	358,020
Opening balance of cash and cash equivalents		1,403,063	1,045,043
Closing balance of cash and cash equivalents		\$ 1,383,056	\$ 1,403,063

The attached notes to the consolidated financial reports are part of this consolidated financial report; please refer to them, too.

Advanced Optoelectronic Technology Inc. and Subsidiaries
Notes to consolidated financial statements
2022 and 2021

Unit: NT\$ Thousand
(unless otherwise stated)

I. Company history

Advanced Optoelectronic Technology Inc. (hereinafter referred to as the "Company") was incorporated in the Republic of China on October 2, 1999. The original name in Mandarin was changed (from " Hsien Chin Kai Fa Corporation " to " Jung Chuang Corporation"), while the English name of the Company remains the same. The renaming was approved by the competent authority on July 14, 2000. The Company and its subsidiaries (collectively referred to as "the Group" hereinafter) primarily engage in the R&D, testing, manufacturing and sale of LEDs, as well as the import/export and trading of raw materials and semi-finished products. The Company's shares have been listed for trading on the Taiwan Stock Exchange since July 9, 2014.

II. Adoption of the date and procedures of the Financial Statements

The consolidated financial report was approved by the Board of Directors on March 10, 2023.

III. Applicable new and amended standards and interpretations

(I) Effect upon adoption of the new and amended IFRSs that came into effect and approved by the Financial Supervisory Commission ("FSC").

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2022 that came into effect and endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2023 endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(III) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IV. Summary of significant accounting policies

The major accounting policies adopted in the preparation of this consolidated financial report are described below. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(II) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (2) Financial assets at fair value through other comprehensive income.
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:
 - (1) All subsidiaries of the Group are included in the consolidated financial statement. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (5) When the Group loses control over a subsidiary, the remaining investment in the subsidiary is re-measured at fair value and treated as the fair value of the initially recognized financial assets or the cost on initial recognition of the investment in associates or joint ventures. The difference from the book value is recognized in the current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

Name of investor	Subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
Advanced Optoelectronic Technology Inc.	GLORYLUX INC. (Glorylux)	Trading of electronic materials	-	-
Advanced Optoelectronic Technology Inc.	Advanced Optoelectronic Technology Holding Ltd. (Advanced)	Investments in various businesses	100%	100%
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc. (Asphetek)	Manufacture and sale of electronic components	60%	-
Advanced	AOT Holding Ltd.	Investments in various businesses	100%	100%
AOT Holding Ltd.	ZHAN JING Technology (Shen ZHEN) Co., Ltd. (Zhan Jing)	Technology development, wholesale, import/export and related ancillary services of new electronic components and electronic products	100%	100%

Note 1: GLORYLUX INC. was cancelled on May 28, 2021, and the dissolution and liquidation on October 8, 2021 was completed.

Note 2: Asphetek Solution Inc. is a subsidiary incorporated on July 25, 2022.

3. Subsidiaries not included in the consolidated financial statements: None.

4. Different adjustment and treatment methods of subsidiaries in the accounting period: This situation did not apply.

5. Significant restrictions: None.

6. Subsidiaries with material non-controlling equity of the Group: None.

(IV) Conversion of foreign currencies

Items included in the financial report of each entity within the Group are measured by the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in the Company's functional currency, which is "New Taiwan Dollar".

1. Transactions and balances in foreign currencies

- (1) Transactions in foreign currencies are converted into the functional currency at the spot exchange rate on the transaction or measurement date, and the difference from such conversion is recognized as the profits or losses for the current term.
- (2) The balance of foreign currency assets and liabilities is adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the difference from such adjustment is recognized as the profits or losses for the current term.
- (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through profit and loss is adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference generated as a result of the adjustment is recognized as the current profit and loss; the value measured through other for the comprehensive profit or loss that is measured at fair value, it shall be adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be stated as the other comprehensive income. Those not measured using fair value shall be measured using historical rates on the initial trading day.
- (4) All exchange gains and losses are reported in the "other gains and losses" of the comprehensive income statement.

2. Conversion of foreign operations

- (1) For all group entities and affiliated enterprises whose functional currency is different from the presentation currency, the operating results and financial status are converted into the presentation currency in the following ways:
 - A. Assets and liabilities expressed in each balance sheet are converted at the closing exchange rate on the balance sheet date;
 - B. The income, expense, and loss expressed in each comprehensive income statement shall be converted at the average exchange rate in the current period; and
 - C. All exchange differences arising from conversion are recognized in other comprehensive income.
- (2) When the foreign operations disposed or sold are affiliated companies, the exchange differences will be re-categorized under other comprehensive income proportionally to the current profits or losses as part of the sales profits or losses. However, if the Group still retains part of its equity in the former affiliate, but has lost its significant influence on the affiliated enterprise of foreign operations, it shall be treated as a disposal of all interests in the foreign operations.
- (3) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is re-attributed to the non-controlling interests of the foreign operation on a pro-rata basis. However, if the Group still retains part of its equity in the former subsidiary but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the equity of the foreign operation.

(V) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) The asset is expected to be realized, sold or consumed in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets not meeting the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Expected to be settled in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date.
If the terms about liabilities can be paid off by issuing equity instruments as per the choice of the counterparty, the categorization is not affected.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of changes in value. Time deposits that meet the definition above and mature within three months from the date of acquisition and are held to meet short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets at fair value through profit or loss (FVTPL)

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Group adopts transaction day accounting for financial assets measured at fair value through profit and loss in conformity with trading practices.
3. The Group measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(VIII) Financial assets at FVTOCI

1. Refers to an irrevocable choice made at the time of original recognition to recognize the changes in the fair value of the equity instrument investment held not for trading in other comprehensive profit or loss.
2. The Group adopts the transaction day accounting for financial assets measured at fair value through other

comprehensive income in conformity with trading practices.

3. The group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the cumulative gain or loss previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to the dividends are very likely to inflow, and the dividend amount can be measured reliably, the Group recognizes dividend income in profit or loss.

(IX) Accounts and notes receivable

1. Refer to the accounts and notes for which the contract provides for the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts and notes receivable without interest payment, due to the insignificant discount effect, the Group measured the value based on the original invoice amount.
3. The business model of the accounts receivable that the Group expects to sell is for the purpose.

(X) Impairment of financial assets

On each balance sheet date, the Group, with respect to financial assets measured at amortized cost and accounts receivable containing major financial components, considers all reasonable and supporting information (including forward-looking ones). Where the credit risk has not increased significantly since the original recognition, the loss allowance shall be measured at the 12-month expected credit loss amount; where the credit risk has increased significantly since the original recognition, the loss allowance shall be measured at the expected credit loss amount throughout the duration. For the accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit losses throughout the duration.

(XI) Derecognition of financial assets

The Group will de-recognize financial assets when one of the following conditions is met:

1. Invalidation of the contractual right to receive cash flows from financial assets.
2. The contractual rights over the cash flows of financial assets are transferred, and almost all risks and rewards of ownership of the financial assets have been transferred.
3. The Company has transferred the contractual rights over the cash flows of financial assets, but has not retained control over the financial assets.

(XII) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined in accordance with the weighted average method. The cost of finished goods and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. Where the lower cost and net realizable value, the itemized comparison method is adopted. Net realizable value is the balance from the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs required to complete the sale.

(XIII) Investment under equity method - Affiliated companies

1. Affiliated companies are entities over which the Group has significant influence but no control. Generally, the Group holds more than 20% of their shares with voting rights directly or indirectly. The Group's investment in an affiliated company is accounted for under the equity method and is recognized at time of acquisition at cost.
2. The Group recognizes the share of profit or loss of the affiliated company as the current profit and loss, and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the Group's share of losses on any affiliated company equals or exceeds its equity in the said affiliated company (including any other unsecured receivables), the Group will not recognize further losses, unless the Group incurs statutory obligations, constructive obligations, or payments made on behalf of them.
3. When there is an equity change in the non-profit and loss and other comprehensive income in the affiliated company with no impact on the shareholding ratio of the affiliated company, the group will recognize all

the equity changes as "capital reserve" according to the shareholding ratio.

4. The unrealized profits or losses arising from transactions between the Group and an affiliate have been written off proportionally to the equity the Group holds in the said affiliate. Unless evidence shows that assets transferred through the said transaction are impaired, unrealized losses are written off, too. Accounting policies of affiliated companies have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. If the Group fails to subscribe or acquire new shares in proportion to the issuance of new shares, resulting in a change in the investment proportion but still a significant influence on the affiliate, the increase or decrease in the change in the net value of equity shall be the adjustment of the "Capital Surplus" and "Equity-Method Investment." If the proportion of investment decreased as a result, except for the above adjustment, related to the decrease in ownership interest and has been recognized in the profit or loss of other comprehensive income before, and the profit or loss must be reclassified to profit and loss during the disposal of related assets or liabilities, if any, is reclassified to profit or loss proportionally .
6. When the Group disposes of an associate, if it loses its material influence on the associate, for all amounts recognized in other comprehensive income related to the associate, its accounting treatment will be the same as if the group directly disposes of the relevant assets or liabilities. On the same basis, i.e. if the gain or loss previously recognized as other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed, losing material influence on the affiliates, the profit or loss is reclassified from equity to profit or loss. If it still has significant influence on the affiliated company, only the amount recognized previously in other comprehensive income shall be transferred out proportionally.

(XIV) Property, plant, and equipment

1. Property, plant, and equipment are recorded at the acquisition cost.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of replacements shall be de-recognized. All other maintenance expenses are recognized as income at the time of occurrence.
3. Property, plant, and equipment are subsequently measured at cost. Except for land, no depreciation is made, whereas depreciation is calculated using the straight-line method over the estimated useful years. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Group examines the residual value, useful lives and depreciation methods of each asset at the end of each fiscal year. If the residual value and useful lives are different from the estimates, or if there is a material change in the expected consumption pattern of future economic benefits of the asset, the effect shall be treated in accordance with the provisions of IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" from the date of the occurrence of the changes.

The durability of each asset is as follows:

Houses and buildings 5 to 25 years

Machinery and equipment 5 to 10 years

Office equipment 3 ~ 5 years

Other equipment 1 to 6 years

(XV) Lease transactions with lessees - right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as expenses during the lease period using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the Group's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes other than contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost includes the initially measured amount of the lease liabilities.

The subsequent measurement is based on the cost model, and the depreciation expense is recognized when the service life of the right-of-use assets expires or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, the right-of-use assets will adjust any re-measurement of the lease liabilities.

4. For the lease modification that reduces the scope of the lease, the lessee will reduce the book value of the right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference between the re-measured amount of the leasehold and the lease liabilities in profit or loss.

(XVI) Intangible assets

1. The royalty is recognized at the acquisition cost and amortized over the effective years of the contract.
2. Computer software is recognized at the cost of acquisition and amortized using the straight-line method over 1 to 6 years of estimated durability.

(XVII) Impairment of non-financial assets

On the Balance Sheet date, the Group estimates the recoverable value of assets with signs of impairment. When the recoverable value is less than the book value, the impairment loss is recognized. Recoverable amount is the higher of the fair value of an asset less the disposal cost or the use value, whichever is higher. When the impairment of assets recognized in the previous year does not exist or decrease, the impairment loss will be reversed. However, the increase in the book value of the assets due to the reversal of the impairment loss shall not exceed the book value of the asset without the impairment loss recognized less the amount of the depreciation or amortization of the asset.

(XVIII) Borrowings

Refers to short-term borrowings from banks. The group measures their fair value less transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses during the outstanding period according to the amortization procedure in profit or loss.

(XIX) Accounts payable

1. Refers to liabilities arising from the purchase of raw materials, commodities, or labor services on credit and accounts payable arising from business and non-business reasons.
2. For short-term accounts payable with unpaid interest, the impact of discounting is small, and the Group measures them at the original invoice amount.

(XX) Financial liabilities measured at fair value through profit or loss

1. Financial liabilities held for trading with the main purpose of repurchasing in the near future and derivatives other than those designated as hedging instruments according to hedge accounting.
2. The Group measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(XXI) Derecognition of financial liabilities

The Group will derecognize financial liabilities when the contractual obligation is fulfilled, canceled or expired.

(XXII) Non-hedging derivative instruments

Non-hedging derivatives are measured at the fair value on the contract signing date at the time of original recognition, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXIII) Employee benefit

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid, and stated as expenses when the related services are provided.

2. Pension fund

(1) Determined contribution plan

For the defined contribution plan, the amount to be allocated to the pension fund is recognized as the pension cost in the current period on an accrual basis. Prepaid contribution is recognized as assets to the extent of refundable in cash or reduced in future payments.

(2) Defined benefit plan

A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current period or in the past, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate is the market yield rate of the government bonds (at the balance sheet date) with the same currency and duration as the defined benefit plan on the balance sheet date.

B. The re-measurement generated from the defined benefit plan shall be stated as other comprehensive income in the current period and presented in the retained earnings.

3. Termination benefits

Termination benefits are the benefits provided upon termination of employment before a normal retirement date or provided by employees upon acceptance of an offer of benefits in exchange for the termination of employment. The Group will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits in full 12 months after balance sheet date will be discounted.

4. Remuneration to employees and directors

The remuneration of employees and directors is recognized as expenses and liabilities when they have legal or constructive obligations and the value can be reasonably estimated. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(XXIV) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except for the income tax related to the items recognized in other comprehensive profit or loss or recognized directly in equity and recognized in other comprehensive profit or loss or directly recognized in equity, respectively.

2. The current income tax is calculated according to the tax rate that has been enacted or substantially enacted in the countries where the Group is operating and generating taxable income on the balance sheet date. The management regularly evaluates the status of income tax filings for applicable income tax laws and regulations, and estimates income tax liabilities based on the taxes expected to be paid to the tax authorities, if applicable. The income tax for undistributed earnings that is levied in accordance with the Income Tax Act is to be recognized in undistributed earnings income tax expenses in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated, after the proposal for distribution of earnings is passed at the shareholders' meeting.

3. The balance sheet method is adopted for deferred income tax, and the temporary difference generated between the tax bases of assets and liabilities and the book value in the consolidated balance sheet is recognized. If the deferred income tax arises from the initial recognition of assets or liabilities in a transaction (excluding business merger), and the accounting profit or taxable income (taxable loss) is not affected by the transaction, the deferred income tax shall not be recognized. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Group and which is not likely to be reversed in the foreseeable future, shall not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to offset against future taxable income, and the unrecognized and recognized deferred income tax assets shall be re-evaluated on each balance sheet date.
5. Current income tax assets and liabilities are offset against each other when the Company has the legally enforceable right to offset the recognized amounts and the Company intends to settle on a net basis or realize assets and settle liabilities simultaneously. When there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities are levied by the same tax authority for the same tax subject, or different tax subjects resulted, but each tax subject intends for the deferred income tax assets and liabilities to offset against each other when they are settled on a net basis or the assets and liabilities are realized at the same time.

(XXV) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock warrants, net of income tax, is stated as a deduction in equity.

(XXVI) Distribution of dividends

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and recognized as common stock on the base date of issuance of new shares.

(XXVII) Recognition of income

Sales of goods

1. The Group manufactures and sells LED and other related products. The sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the Group has no outstanding performance obligation that may affect the customer in accepting the product. When the product is delivered to the designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or there is objective evidence to prove that all acceptance criteria have been met.
2. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

(XXVIII) Government grants

Government grants are recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government grant and will receive the grant. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be recognized as current profit or loss on a systematic basis during the period when the relevant expenses are incurred.

(XXIX) Operational department

The information of the Group's operating segments is reported consistently with the internal management reports provided to major operational decision-makers. The chief operational decision-makers are responsible for allocating resources to operating departments and evaluating their performance.

V. Major sources of significant accounting judgments, estimates, and assumptions uncertainty

When the Group prepared this consolidated financial report, the management has used its judgment to determine the adopted accounting policies, and made accounting estimates and assumptions based on the reasonable expectation of future events based on the situation on the balance sheet date. The significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risks that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainty of significant accounting judgments, estimates, and assumptions:

(I) Important judgments adopted for accounting policies

None.

(II) Important accounting estimates and assumptions

Valuation of inventories

Because inventories must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventories on the balance sheet date. Due to the large number of competitors in mainland China, commodity prices are susceptible to fluctuations or product sales are not as good as expected. The Group assesses the amount of inventory on the balance sheet date due to normal wear and tear, obsolescence, or no market sales value, and writes off the cost of the inventories against it to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

On December 31, 2022, the book value of the Group's inventories amounted to NT\$163,734.

VI. Description of important accounting items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash in stock and petty cash	\$ 25	\$ 33
Checking and demand deposits	321,966	329,990
Time deposit	<u>1,061,065</u>	<u>1,073,040</u>
	<u>\$ 1,383,056</u>	<u>\$ 1,403,063</u>

1. The financial institutions that the Group does business with have good credit quality, and the Group does business with multiple financial institutions to diversify credit risk, and the possibility of expected default is very low.

2. The Group does not put cash and cash equivalents up for pledge.

(II) Financial assets and liabilities at FVTPL

<u>Assets items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives		
-Forward Exchange Contract	\$ 3,980	\$ 1,769
-Foreign Exchange Swaps Contract	<u>-</u>	<u>304</u>
	<u>\$ 3,980</u>	<u>\$ 2,073</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-listed, OTC, or emerging stocks	\$ 40,619	\$ 40,619
Adjustment of evaluation	<u>(40,619)</u>	<u>(40,619)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>

Current items:

Financial liabilities held for trading

Derivatives

-Forward Exchange Contract	(\$ <u>1,714</u>)	(\$ <u>3,905</u>)
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1. The details of financial assets and liabilities measured at fair value through profit and loss recognized in profit and loss are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss and available-for-sale financial liabilities		
Derivatives	(\$ <u>16,879</u>)	(\$ <u>720</u>)

2. The transaction and contract information of derivative financial assets and liabilities not subject to hedging accounting are explained as follows:

	<u>December 31, 2022</u>		
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount (Nominal principal amount) (\$ in Thousand)</u>		<u>Duration of the contract</u>
Current items:			
Forward Exchange Contract			
Sell USD and buy NTD	US Dollars	8,000	2022/09/16~2023/04/24
Sell USD and buy JPY	Japanese Yen	24,300	2022/12/22~2023/02/08
Sell CNY to buy NTD	CNY	2,000	2022/12/05~2023/01/30
Sell CNY and buy USD	CNY	21,500	2022/07/12~2023/05/25
	<u>December 31, 2021</u>		
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount (Nominal principal amount) (\$ in Thousand)</u>		<u>Duration of the contract</u>
Current items:			
Forward Exchange Contract			
Sell USD and buy NTD	US Dollars	14,000	2021/09/29~2022/03/23
Sell USD and buy JPY	Japanese Yen	40,800	2021/11/24~2022/03/08
Sell CNY to buy NTD	CNY	21,300	2021/09/10~2022/05/25
Sell CNY and buy USD	CNY	35,900	2021/08/12~2022/06/17
Foreign Exchange Swaps Contract			
Sell JPY and buy NTD	Japanese Yen	200,000	2021/12/27~2022/01/21

The foreign exchange forward transactions entered into by the Group are pre-sale forward transactions to avoid the exchange rate risk of export proceeds; the foreign exchange swaps contract is for currency exchange

at a fixed exchange rate, and hedge accounting is not applied to meet the need for capital dispatch.

3. For information on the credit risk of financial assets and liabilities at fair value through profit and loss, please refer to Note XII (II).

(III) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 25,179	\$ 3,708
Accounts receivable	\$ 332,920	\$ 957,394
Less: allowance for losses	(2,500)	(8,667)
	<u>\$ 330,420</u>	<u>\$ 948,727</u>
Accounts receivable- related party	\$ 123,967	\$ 305,195
Less: Allowance for losses	(1,043)	(3,153)
	<u>\$ 122,924</u>	<u>\$ 302,042</u>

1. Ageing analysis of notes receivable and accounts receivable (including related parties):

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 438,401	\$ 25,179	\$ 1,218,054	\$ 3,708
Within 30 days of overdue	2,277	-	27,039	-
Past Due 31-60 Days	869	-	17,496	-
Past due 61-90 days	<u>15,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 456,887</u>	<u>\$ 25,179</u>	<u>\$ 1,262,589</u>	<u>\$ 3,708</u>

The above is an aging analysis based on the number of overdue days.

2. The balance of notes and accounts receivable (including related parties) as of December 31, 2022 and 2021 were generated from contracts with customers and the balance and allowance for loss of the accounts receivable (including related parties) from contracts on January 1, 2021 amounted to NT\$1,695,089 and NT\$8,178, respectively.
3. Without considering the collateral or other credit-enhancing collaterals held, the measure that best represents the exposure to the Group's notes and accounts receivable (including related parties) with the highest credit risk, the risk exposure amounted to NT\$478,523 and NT\$1,254,477 respectively.
4. As of December 31, 2022 and 2021, the amount of accounts receivable transferred to collection (stated as other non-current assets) amounted to NT\$483,948 and NT\$483,978 respectively, which had been fully provided against loss; and in 2022 and 2021, the provision (reversal) of allowance for losses collection (stated as other non-current assets) was (\$30) and \$0, respectively.
5. In order to increase the credit limit of some customers, the Group obtained guarantee letters of credit and guarantee deposits from some customers.
6. For credit risk information of notes and accounts receivable (including related parties), please see Note XII (II).

(IV) Transfer of financial assets

The Company signed an accounts receivable transfer contract with Taipei Fubon Bank on November 3, 2020. According to the contract, the Company does not have to bear the risk of uncollectible accounts receivable, but only needs to bear the losses resulting from commercial disputes. The Company has not had any continuing involvement in the transferred accounts receivable. Therefore, the Company de-recognized the selling accounts receivable and the relevant information not due yet is as follows:

Unit: NTD thousand

December 31, 2022

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 2,997	USD 2,997	USD 2,548	US Dollar -	5.34%~5.84%

December 31, 2021

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 7,185	USD 7,185	USD 6,034	US Dollar -	0.67%~0.85%

As of December 31, 2022 and 2021, the selling accounts receivable assigned by the Company included retentions of NT\$13,802 and NT\$31,865, respectively, which had been transferred to other receivables.

(V) Inventory

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 61,161	(\$ 28,926)	\$ 32,235
Work-in-progress	87,584	(32,681)	54,903
Finished goods	104,811	(39,860)	64,951
Merchandise inventory	<u>13,444</u>	<u>(1,799)</u>	<u>11,645</u>
	<u>\$ 267,000</u>	<u>(\$ 103,266)</u>	<u>\$ 163,734</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 88,143	(\$ 27,371)	\$ 60,772
Work-in-progress	141,509	(17,226)	124,283
Finished goods	140,630	(34,884)	105,746
Merchandise inventory	<u>34,333</u>	<u>(7,093)</u>	<u>27,240</u>
	<u>\$ 404,615</u>	<u>(\$ 86,574)</u>	<u>\$ 318,041</u>

Inventory cost recognized as expenses and losses by the Group in the current period:

	<u>2022</u>	<u>2021</u>
Cost of sold inventory	\$ 2,026,026	\$ 3,771,049
Loss of idle capacity	70,340	26,041
Loss on devaluation (gain on recovery) (Note)	17,488	(484)

Income from sale of scraps	(10,550)	(22,618)
	<u>\$ 2,103,304</u>	<u>\$ 3,773,988</u>

Note: The recovery of gains in 2021 was mainly due to the fact that the Group actively disposed of idle inventories.

(VI) Financial assets at FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Listed company stock	\$ 171,100	\$ 114,218
Non-listed, OTC, or emerging stocks	<u>20,032</u>	<u>-</u>
	191,132	114,218
Adjustment of evaluation	(50,200)	<u>25,407</u>
	<u>\$ 140,932</u>	<u>\$ 139,625</u>

1. The Group chose to classify the equity instrument investment that is a strategic investment into financial assets measured at fair value through other comprehensive income. The fair value of these investments as of December 31, 2022 and 2021 were NT\$140,932 and NT\$139,625, respectively.
2. The Group sold its investment in equity instruments with a fair value of NT\$184,245 in 2021 due to the business planning of the Company, and the accumulated disposal gains were NT\$104,245.
3. The details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	(\$ 75,607)	<u>\$ 59,244</u>
De-recognition of accumulated gains transferred to retained earnings	<u>\$ -</u>	<u>\$ 104,245</u>
Dividend income recognized in profit or loss held at the end of the period	<u>\$ 3,075</u>	<u>\$ 219</u>

4. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note XII (II).

(VII) Investment under equity method - Affiliated enterprise

1. Statement of changes and details are as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 11,257	\$ 17,167
Increase in investment under equity method	-	879
Disposal of investment under equity method	(4,577)	-

Gains on bargain purchase	-	1,612
Share of investment income accounted for using equity method	3,059	(7,141)
Investment earnings distribution under equity method	(4,423)	(1,403)
Additional paid-in capital - not based on changes to shareholding percentage	-	(295)
Other changes in equity	<u>238</u>	<u>438</u>
December 31	<u>\$ 5,554</u>	<u>\$ 11,257</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ELUX, Inc. (ELUX)	\$ 24,953	\$ 24,953
An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd. (An Qing Xin Kairong)	-	5,252
Guangdong Kai Chuang Display Technology Co., Ltd. (Guangdong Kai Chuang)	5,554	6,005
Accumulated impairment	<u>(24,953)</u>	<u>(24,953)</u>
	<u>\$ 5,554</u>	<u>\$ 11,257</u>

- (1) The Company participated in the capital increase in cash of ELUX, Inc. for NT\$60,920 on July 26, 2018 to acquire 25% of equity, and participated in capital increase in cash for NT\$30,268 on March 1, 2020 for 32% of equity in total; the net equity value of the investment increased/decrease due to failure to subscribe new shares according to the ownership percentage, resulting in an increase/decrease in the net equity value of the investment, and thus a decrease in the retained earnings by NT\$18,344. In addition, ELUX, Inc. issued new shares in cash for capital increase in April 2020, the Company's shareholding declined from 32% to 27.87% resulting from the Company's non-participation in the capitalization. The failure to subscribe for new shares proportional to the ownership, resulting in the increase or decrease in the net value of the invested equity, increased the capital reserve by NT\$10,976. In addition, Elux, Inc.'s shareholding ratio decreased from 27.87% to 25.94% in January 2021 due to the exercising of employee share subscription warrant. This has resulted in an increase or decrease in the net equity value of the investment, and a reduction of NT\$295 to the additional paid-in capital.
- (2) The Company's subsidiary, ZHAN JING Technology (Shen ZHEN) Co., Ltd. participated in the capital increase in cash of Guangdong Kai Chuang Display Technology Co., Ltd. for \$879 on February 4, 2021 and acquired a 20% equity.
- (3) Due to the poor operation of ELUX, Inc., the value of investment had indeed been impaired, so the Company recognized impairment loss of \$24,953 in 2019.
- (4) The Company disposed of the equity of the Company's affiliated enterprise, An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd., in December 2022. The shareholding ratio was reduced from 20% to 0%. The disposal consideration was NT\$5,089.

2. Share of profit or loss on affiliates accounted for using the equity method:

	<u>2022</u>	<u>2021</u>
ELUX	\$ -	(\$ 14,128)
An Qing Xin Kairong	(822)	2,063
Guangdong Kai Chuang	<u>3,881</u>	<u>4,924</u>
	<u>\$ 3,059</u>	<u>(\$ 7,141)</u>

3. The book value and operating result share of the Group's individual non-material affiliates are summarized as follows:

As of December 31, 2022 and 2021, the book values of the individual non-material associates of the Group amounted to NT\$5,554 and NT\$11,257, respectively.

	<u>2022</u>		<u>2021</u>
Net income (loss)	\$ 3,059		(\$ 7,141)
Other comprehensive income (net amount after tax)	<u>238</u>		<u>438</u>
Total comprehensive income (loss)	<u>\$ 3,297</u>		<u>(\$ 6,703)</u>

(VIII) Property, plant, and equipment

	<u>2022</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,997	\$ 74,504	\$ 280,221	\$ 48,818	\$ 3,295,298
Accumulated depreciation and impairment	<u>-</u>	<u>(368,259)</u>	<u>(1,712,795)</u>	<u>(54,408)</u>	<u>(244,868)</u>	<u>-</u>	<u>(2,380,330)</u>
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>
January 1	\$ 160,357	\$ 398,142	\$ 252,202	\$ 20,096	\$ 35,353	\$ 48,818	\$ 914,968
Increase	-	-	-	-	-	104,339	104,339
Disposal	-	-	(535)	-	-	-	(535)
Reclassified (Note)	-	23,687	74,505	1,107	27,712	(128,720)	(1,709)
Depreciation expenses	-	(50,512)	(95,343)	(6,768)	(33,856)	-	(186,479)
Impairment loss	-	-	(6,197)	-	-	-	(6,197)
Net exchange difference	-	-	<u>3</u>	<u>2</u>	<u>114</u>	<u>11</u>	<u>130</u>
December 31	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 224,635</u>	<u>\$ 14,437</u>	<u>\$ 29,323</u>	<u>\$ 24,448</u>	<u>\$ 824,517</u>
December 31							
Cost	\$ 160,357	\$ 790,087	\$ 1,906,115	\$ 74,369	\$ 305,789	\$ 24,448	\$ 3,261,165
Accumulated depreciation and impairment	<u>-</u>	<u>(418,770)</u>	<u>(1,681,480)</u>	<u>(59,932)</u>	<u>(276,466)</u>	<u>-</u>	<u>(2,436,648)</u>
	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 224,635</u>	<u>\$ 14,437</u>	<u>\$ 29,323</u>	<u>\$ 24,448</u>	<u>\$ 824,517</u>

	<u>2021</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 756,024	\$ 2,014,692	\$ 67,273	\$ 290,222	\$ 87,748	\$ 3,376,316
Accumulated depreciation and impairment	-	(317,752)	(1,736,911)	(46,448)	(265,558)	-	(2,366,669)
	<u>\$ 160,357</u>	<u>\$ 438,272</u>	<u>\$ 277,781</u>	<u>\$ 20,825</u>	<u>\$ 24,664</u>	<u>\$ 87,748</u>	<u>\$ 1,009,647</u>
January 1	\$ 160,357	\$ 438,272	\$ 277,781	\$ 20,825	\$ 24,664	\$ 87,748	\$ 1,009,647
Increase	-	-	-	-	-	109,717	109,717
Reclassified (Note)	-	10,376	80,935	7,282	38,623	(148,641)	(11,425)
Depreciation expenses	-	(50,506)	(106,512)	(8,009)	(27,923)	-	(192,950)
Net exchange difference	-	-	(2)	(2)	(11)	(6)	(21)
December 31	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>
December 31							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,997	\$ 74,504	\$ 280,221	\$ 48,818	\$ 3,295,298
Accumulated depreciation and impairment	-	(368,259)	(1,712,795)	(54,408)	(244,868)	-	(2,380,330)
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>

Note: The reclassifications in 2022 and 2021 were mainly of the transfer out to intangible assets and the recognition of expenses.

1. The properties, plants, and equipment referred to above are assets held for own use.
2. The Group did not pledge any property, plant and equipment or capitalize the interest thereof.
3. Please refer to Note VI(XI) for the status of impairment of property, plant and equipment.

(IX) Lease transaction - Lessee

1. The underlying assets of the Group include land, buildings, machinery and equipment. The lease contract is usually for a period of 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.
2. The machinery and equipment leased by the Group with the lease period not exceeding 12 months and the target assets leased of low value are machinery and equipment and are not included in the right-of-use assets.
3. The information about the book value of the right-of-use assets and the recognized depreciation expenses is as follows:

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 3,160	(\$ 702)	\$ 2,458
House	<u>36,065</u>	<u>(4,214)</u>	<u>31,851</u>
	<u>\$ 39,225</u>	<u>(\$ 4,916)</u>	<u>\$ 34,309</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 2,121	(\$ 1,768)	\$ 353
House	<u>2,063</u>	<u>(1,111)</u>	<u>952</u>
	<u>\$ 4,184</u>	<u>(\$ 2,879)</u>	<u>\$ 1,305</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 1,056	\$ 1,061
House	<u>4,133</u>	<u>1,090</u>
	<u>\$ 5,189</u>	<u>\$ 2,151</u>

4. The increase in the Group's right-of-use assets in 2022 and 2021 were NT\$38,182 and NT\$1,160, respectively.
5. The information on profit and loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	\$ 364	\$ 54
Expenses of short-term lease contracts	937	904
Expenses of low-value asset lease	449	638
Gains on lease modification	-	3

6. The total cash outflow from the leases of the Group in 2022 and 2021 amounted to NT\$6,515 and NT\$3,791, respectively.

(X) Intangible assets

	<u>2022</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ 107,611	\$ 69,745	\$ 177,356
Accumulated amortization	(87,423)	(55,775)	(143,198)
	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>
January 1	\$ 20,188	\$ 13,970	\$ 34,158
Reclassification	-	1,157	1,157
Amortized expenses	(20,188)	(6,140)	(26,328)
December 31	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
December 31			
Cost	\$ -	\$ 70,902	\$ 70,902
Accumulated amortization	-	(61,915)	(61,915)
	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
	<u>2021</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ 107,611	\$ 58,503	\$ 166,114
Accumulated amortization	(67,234)	(49,840)	(117,074)
	<u>\$ 40,377</u>	<u>\$ 8,663</u>	<u>\$ 49,040</u>
January 1	\$ 40,377	\$ 8,663	\$ 49,040
Reclassification	-	11,242	11,242
Amortized expenses	(20,189)	(5,935)	(26,124)
December 31	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>
December 31			
Cost	\$ 107,611	\$ 69,745	\$ 177,356
Accumulated amortization	(87,423)	(55,775)	(143,198)
	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>

The details of amortization of intangible assets are as follows:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 407	\$ 310

Sales and marketing expenses	20,188	20,189
Administrative expenses	4,900	4,931
R&D expenses	<u>833</u>	<u>694</u>
	<u>\$ 26,328</u>	<u>\$ 26,124</u>

(XI) Impairment of non-financial assets

The total amount of impairment loss recognized by the Group in 2022 was NT\$6,197 and the details are as follows:

	<u>2022</u>	
	<u>Recognized in current profit and loss</u>	<u>Recognized in other comprehensive income</u>
Impairment loss - machinery and equipment	<u>(\$ 6,197)</u>	<u>\$ -</u>

(XII) Short-term borrowings

<u>Nature of the loan</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Borrowings from banks			
Credit loans	<u>\$ 52,003</u>	0.60%	-

1. This did not happen on December 31, 2022.
2. The interest expenses recognized in profit and loss in 2022 and 2021 were NT\$129 and NT\$2,014, respectively.

(XIII) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payable	\$ 101,218	\$ 127,685
Payable outsourcing fees	26,238	59,987
Payables for equipment	22,005	30,081
Labor and health insurance and pension payable	17,992	18,468
Payable commission	11,534	21,684
Premiums payable	8,513	39,720
Others	<u>61,066</u>	<u>55,089</u>
	<u>\$ 248,566</u>	<u>\$ 352,714</u>

(XIV) Long-term notes and payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Premiums payable	\$ -	\$ 16,608
Less: Due within one year	<u>-</u>	<u>(16,608)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Group signed a phosphor powder licensing agreement with a foreign manufacturer in 2017. The contract term is 5.5 years. According to the contract, the Group is required to pay a certain percentage of the sales value and the royalty amounted to the sales volume in each year.

(XV) Pension fund

- 1.(1) The Company has established the retirement policy with defined welfare in accordance with the "Labor Standards Act", which is applicable to the years of service of all regular employees before the "Labor Pension Act" went into effect on July 1, 2005; and the years of service of employees who elect to continue applying the Labor Standards Act after the implementation of the "Labor Pension Act." If an employee is eligible for retirement, the pension payment is based on the service years and the average salary of 6 months prior to retirement. Two base figures are given for each full year of service within 15 years, and one base figure will be granted after completing one year, but the cumulative maximum shall be limited to 45 base figures. The Company appropriates 2% of the total salary on a monthly basis to the pension fund, which is deposited with the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, the Company estimates the balance of the aforementioned special accounts for labor pension before the end of each year. If the balance is not sufficient to pay the amount of pension benefits to employees eligible for retirement in the following year, the Company will make a lump-sum appropriation for the difference by the end of March of the following year.
- (2) The Company agreed with employees to settle all defined benefit retirement liabilities in October 2022, settled the old system tenure and re-actuarial valuation, recognized related gain or loss on settlement and net re-measurement of defined benefit assets.
- (3) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ -	(\$ 19,972)
Fair value of planned assets	<u>20,757</u>	<u>32,299</u>
Net defined benefit assets	<u>\$ 20,757</u>	<u>\$ 12,327</u>

- (4) Changes in net defined benefit assets are as follows:

	<u>2022</u>	<u>Fair value of planned</u>	<u>Net defined benefit assets</u>
	<u>Present value of defined</u>	<u>assets</u>	
	<u>benefit obligation</u>		
January 1	(\$ 19,972)	\$ 32,299	\$ 12,327
Interest (expense) income	(139)	226	87
Gains or losses on settlement	<u>2,021</u>	<u>-</u>	<u>2,021</u>
	<u>(18,090)</u>	<u>32,525</u>	<u>14,435</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	2,391	2,391
Adjustment of experience	<u>3,092</u>	<u>-</u>	<u>3,092</u>
	<u>3,092</u>	<u>2,391</u>	<u>5,483</u>
Appropriation of pension fund	-	839	839
Payment of pension	<u>14,998</u>	<u>(14,998)</u>	<u>-</u>
December 31	<u>\$ -</u>	<u>\$ 20,757</u>	<u>\$ 20,757</u>

	<u>2021</u>		
	<u>Present value of defined</u>	<u>Fair value of planned</u>	<u>Net defined benefit</u>
	<u>benefit obligation</u>	<u>assets</u>	<u>assets</u>
January 1	(\$ 21,817)	\$ 30,686	\$ 8,869
Interest (expense) income	(87)	123	36
	<u>(21,904)</u>	<u>30,809</u>	<u>8,905</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	445	445
Effect of changes in demographic assumptions	(22)	-	(22)
Effect of changes in financial assumptions	769	-	769
Adjustment of experience	<u>1,185</u>	<u>-</u>	<u>1,185</u>
	<u>1,932</u>	<u>445</u>	<u>2,377</u>
Appropriation of pension fund	<u>-</u>	<u>1,045</u>	<u>1,045</u>
December 31	<u>(\$ 19,972)</u>	<u>\$ 32,299</u>	<u>\$ 12,327</u>

- (5) The assets of the Company's defined benefit pension plan are invested by the Bank of Taiwan according to the fund's annual investment and utilization plan and within the scope of the ratio and amount of money, and are approved pursuant to Article 6 of the "Regulations Governing the Revenues, Expenditures, Custodianship and Utilization of Labor Pension Funds" (i.e. deposit in domestic and foreign financial institutions, investment in domestic and foreign listed, over-the-counter, or privately placed equity securities, and investment in domestic and foreign real estate securitization products), the related utilization is supervised by the Labor Pension Fund Supervisory Committee. In using the Fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are deficiencies, the national treasury shall make up the difference after approval by the competent authority. As the Company was not entitled to participate in the operation and management of the fund, it was impossible for the Company to disclose the classification of the fair value of the planned assets in accordance with IAS 19 and paragraph 142. The fair value comprising the total assets of the fund as of December 31, 2022 and 2021, is stated in the labor pension fund utilization report announced by the government for the respective years.
- (6) The actuarial hypotheses about pension fund are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>0.00%</u>	<u>0.70%</u>
Increase in salary in the future	<u>0.00%</u>	<u>3.50%</u>

The assumption of future mortality was estimated in accordance with the sixth round of Taiwan life insurance industry's empirical life table.

The analysis of the impact on the present value of the defined benefit obligation due to the change of the main actuarial assumptions is as follows:

	<u>Discount rate</u>		<u>Increase in salary in the future</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
Effect on the present value of defined benefit obligation	\$ -	\$ -	\$ -	\$ -
December 31, 2021				
Effect on the present value of defined benefit obligation	\$ 596	(\$ 620)	(\$ 552)	\$ 535

The sensitivity analysis referred to above is based on the analysis of the effect of a change in a single assumption under the circumstance that other assumptions remain unchanged. In practice, changes in many assumptions may be linked. The analysis of sensitivity adopted the same method used to calculate the net pension liability on the balance sheet.

The methods and hypotheses used by the sensitivity analysis prepared in the current period are the same as those used in the previous period.

(7) The Company expects to contribute NT\$0 to the pension plan in 2023.

(8) As of December 31, 2022, the weighted average duration of the pension plan was 0 year.

2. (1) Since July 1, 2005, the Company has established the regulation for defined contribution plan in accordance with the "Labor Pension Act", which is applicable to employees of Taiwan nationality. For employees choosing the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the personal accounts of the employees with the Labor Insurance Bureau. The pension is paid according to the individual pensions of the employees. The amount of accumulated income and accumulated income is withdrawn as monthly pension or lump sum.
- (2) For the subsidiaries in Mainland China, according to the endowment insurance system stipulated by the People's Republic of China, the Company contributes a certain percentage of the total salary of the local employees to the endowment insurance on a monthly basis. The pension fund of each employee is managed and arranged by the local government, and the subsidiaries have no further obligation other than the monthly contribution.
- (3) In 2022 and 2021, the Group recognized pension cost amounting to \$27,898 and \$29,777, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XVI) Share capital

1. As of December 31, 2022, the Company's rated capital was NT\$2,400,000 and the paid-in capital was NT\$1,445,480 with a par value of NT\$10 per share. All issues paid for the Company's shares have been received.
2. The outstanding common stock (in thousands) at the beginning and end of the term is adjusted as follows:

	<u>2022</u>	<u>2021</u>
January 1 (i.e. December 31)	<u>144,548</u>	<u>144,548</u>

(XVII) Capital Surplus

Pursuant to the Company Act, the premium from the issuance of shares above par value and the additional paid-in capital from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated losses, new shares or cash are issued to shareholders in proportion to their existing shares. In addition, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above shall not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, if the Company has earnings concluded each year, after paying taxes, the losses from previous years shall first be offset and then 10% of the remaining earnings shall be appropriated as legal reserves. The Company also makes provision or reversal of special reserve, if any, along with the accumulated undistributed earnings of the previous year in accordance with Article 41 of the Securities and Exchange Act.
2. The Company determines its future development and growth stage; establishes a sound financial structure; and protects the rights and interests of shareholders. The dividend distribution policy adopts cash and share method. The share dividend accounts for not more than half of all dividends in principle. The above ratio is adjusted according to the circumstances.
3. The legal reserve cannot be used for purposes other than to cover the accumulated losses of the company and for issuance of new shares or cash to shareholders in proportion of their original shareholding percentage, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal may be included in the earnings available for distribution.
5. The Company's shareholders' meeting on June 29, 2022 resolved the 2021 profit distribution proposal as follows:

	<u>2021</u>		
	<u>Amount</u>		<u>Dividend per share (NTD)</u>
Legal reserves	\$ 19,446		
Cash dividends	65,047	\$	0.45

6. The Company passed the motion for offsetting deficits in 2020 at the shareholders' meeting on July 20, 2021. NT\$45,825 of the special reserve was reversed and NT\$18,617 was made up for the losses with legal reserve.

(XIX) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

1. Breakdown of revenue from contracts with customers

The income of the Group comes from the transfer of goods at a certain point in time. The income can be subdivided into the following geographical regions:

	<u>2022</u>	<u>2021</u>
Revenue from contracts with external customers		
China	\$ 1,889,966	\$ 3,700,920
Taiwan	131,747	199,234
Vietnam	129,728	126,201
Hong Kong	108,746	164,334
USA	78,852	94,718
South Korea	34,638	61,509
Others	<u>36,995</u>	<u>49,193</u>
	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

2. Contract liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Sales contract	<u>\$ 112</u>	<u>\$ 63</u>	<u>\$ 994</u>

(XX) Other income

	<u>2022</u>	<u>2021</u>
Rent income	\$ 1,771	\$ 1,618
Income from government subsidies	34	8,104
Gains on bargain purchase	-	1,612
Dividend income	3,075	219
Other income	<u>12,531</u>	<u>20,543</u>
	<u>\$ 17,411</u>	<u>\$ 32,096</u>

(XXI) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gain on foreign currency exchange	\$ 27,914	\$ 13,609
Gains (losses) from the disposal of property, plant and equipment	(461)	6,685
Gains on disposal of investment accounted for using equity method	636	-
Losses on financial assets and liabilities at FVTPL	(16,879)	(720)

Impairment losses of property, plant and equipment	(	6,197)	-
Gains on lease modification		-	3
Other losses		-	(7)
	\$	5,013	\$ 19,570

(XXII) Financial cost

	<u>2022</u>	<u>2021</u>
Interest expense:		
Borrowings from banks	\$ 129	\$ 2,014
Lease liabilities	364	54
Others	3,057	834
	\$ 3,550	\$ 2,902

(XXIII) Employee benefits, depreciation and amortization expenses

	<u>2022</u>			
	<u>Attributable to</u>	<u>Attributable to</u>	<u>Total</u>	
	<u>operating cost</u>	<u>operating expenses</u>		
Employee benefit expenses				
Salary expenses	\$ 353,231	\$ 193,695	\$	546,926
Labor and national health insurance expenses	38,157	16,624		54,781
Pension expense	16,202	9,588		25,790
Other employee expenses	36,001	13,011		49,012
Depreciation expenses	149,905	41,763		191,668
Amortized expenses	407	25,921		26,328

	<u>2021</u>			
	<u>Attributable to</u>	<u>Attributable to</u>	<u>Total</u>	
	<u>operating cost</u>	<u>operating expenses</u>		
Employee benefit expenses				
Salary expenses	\$ 422,008	\$ 200,380	\$	622,388
Labor and national health insurance expenses	44,493	17,853		62,346
Pension expense	19,330	10,411		29,741
Other employee expenses	41,411	11,829		53,240
Depreciation expenses	162,980	32,121		195,101
Amortized expenses	310	25,814		26,124

1. According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, it shall allocate no less than 5% as the remuneration to employees and no more than 0.1% as the remuneration to directors. When the company has accumulated losses, it shall set aside amount to cover the losses first.
2. The estimated remuneration to the employees and directors of the Company is as follows:

	<u>2022</u>		<u>2021</u>	
Remuneration to employees	\$	-	\$	5,346
Remuneration to Directors		-		<u>107</u>
	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>5,453</u>

The above amount was transferred to salary expense accounting title.

The Company did not record the net loss after tax for 2022, so remuneration to employees and directors was not recognized.

3. As resolved by the board of directors, the company's remuneration to employees of NT\$5,700 and remuneration to directors of NT\$100 in 2021 and the remuneration to employees of \$5,346 and to directors of NT\$107 in 2021 recognized in the financial report of 2021 differed by an underestimation of NT\$347. The difference was deemed as a change in accounting estimate and adjusted in the profit or loss of 2022. Employees' remuneration for 2021 was paid in cash.

Information on the employees' and directors' remuneration approved by the Company's Board of Directors is available on the Market Observation Post System.

(XXIV) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2022</u>		<u>2021</u>	
Income tax for the current period:				
Income tax arising from current income	\$	1,033	\$	12,449
Underestimated (over) estimated amount of income tax in previous years		<u>32</u>	(	<u>221)</u>
Total income tax for the current period		1,065		12,228
Deferred income tax:				
Original occurrence and reversal of temporary difference		<u>107</u>		<u>6,374</u>
Income tax expenses	<u>\$</u>	<u>1,172</u>	<u>\$</u>	<u>18,602</u>

(2) Income tax related to other comprehensive income:

	<u>2022</u>		<u>2021</u>	
Re-measurement of defined benefit obligation	<u>\$</u>	<u>1,097</u>	<u>\$</u>	<u>475</u>

2. Relationship between income tax expenses and accounting profit:

	<u>2022</u>		<u>2021</u>	
Income tax calculated at statutory rate for net (loss) profit (Note)	(\$	28,360)	\$	21,383
Income tax effect under minimum tax system		-		12,449
Income tax effect of items adjusted in accordance with the tax law		7,070		240
Changes in realizable assessment of deferred income tax assets		21,388	(	15,249)

Underestimated (over) estimated amount of income tax in previous years	32	(	221)
Taxable loss not recognized as deferred income tax assets	<u>1,042</u>		<u>-</u>
Income tax expenses	<u>\$ 1,172</u>		<u>\$ 18,602</u>

Note: The applicable tax rate is based on the tax rate applicable to the income in the relevant country.

3. The amounts of deferred income tax assets or liabilities arising from the temporary difference and taxation loss are as follows:

	<u>2022</u>		Recognized in other comprehensive income	
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 1,614	(\$ 829)	\$ -	\$ 785
Inventory devaluation losses	16,332	1,732	-	18,064
Allowance for loss beyond threshold	3,040	454	-	3,494
Cost of goods sold to be replaced	52	(6)	-	46
Unrealized exchange losses	-	318	-	318
Valuation loss on unrealized financial assets and liabilities	366	(366)	-	-
Income from government subsidies	1,174	(469)	-	705
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	10,999	1,069	-	12,068
Bonus payable for unused leave of absence	4,766	(886)	-	3,880
Premiums payable	1,018	(1,018)	-	-
Set off of losses	<u>36,549</u>	<u>(74)</u>	<u>-</u>	<u>36,475</u>
	<u>80,900</u>	<u>(75)</u>	<u>-</u>	<u>80,825</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(1,010)	1,010	-	-
	-	(453)	-	(453)
Unrealized gains on valuation of financial assets and liabilities				
Defined benefit obligation	<u>(2,465)</u>	<u>(589)</u>	<u>(1,097)</u>	<u>(4,151)</u>
	<u>(3,475)</u>	<u>(32)</u>	<u>(1,097)</u>	<u>(4,604)</u>
	<u>\$ 77,425</u>	<u>(\$ 107)</u>	<u>(\$ 1,097)</u>	<u>\$ 76,221</u>

	<u>2021</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 401	\$ 1,213	\$ -	\$ 1,614
Inventory devaluation losses	16,910	(578)	-	16,332
Allowance for loss beyond threshold	2,846	194	-	3,040
Cost of goods sold to be replaced	29	23	-	52
Valuation loss on unrealized financial assets and liabilities	1,324	(958)	-	366
Income from government subsidies	-	1,174	-	1,174
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	12,026	(1,027)	-	10,999
Bonus payable for unused leave of absence	4,998	(232)	-	4,766
Premiums payable	2,035	(1,017)	-	1,018
Set off of losses	44,221	(7,672)	-	36,549
	<u>89,780</u>	<u>(8,880)</u>	<u>-</u>	<u>80,900</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(3,732)	2,722	-	(1,010)
Defined benefit obligation	(1,774)	(216)	(475)	(2,465)
	<u>(5,506)</u>	<u>2,506</u>	<u>(475)</u>	<u>(3,475)</u>
	<u>\$ 84,274</u>	<u>(\$ 6,374)</u>	<u>(\$ 475)</u>	<u>\$ 77,425</u>

4. The effective term of the Group's unused taxation losses and the relevant amount of unrecognized deferred income tax assets are as follows:

December 31, 2022

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 222,996	\$ 222,996	\$ 222,996	2028
2019	205,350	205,350	205,350	2029
2020	161,644	161,644	118,781	2030
2022	<u>140,555</u>	<u>140,555</u>	<u>1,042</u>	2032
	<u>\$ 730,545</u>	<u>\$ 730,545</u>	<u>\$ 548,169</u>	

December 31, 2021

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 347,147	\$ 238,225	\$ 238,225	2028
2019	209,042	209,042	188,184	2029
2020	<u>161,889</u>	<u>161,889</u>	<u>-</u>	2030
	<u>\$ 718,078</u>	<u>\$ 609,156</u>	<u>\$ 426,409</u>	

5. Deductible temporary differences of unrecognized deferred income tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	<u>\$ 237,297</u>	<u>\$ 211,802</u>

6. The tax collection authority has approved the Company's income tax for profit-seeking businesses up to 2020.

(XXV) Earnings per share (Loss)

	<u>2022</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>Loss per share (NTD)</u>
<u>Basic loss per share</u>			
Net loss for the period attributable to the parent company's common stock shareholders	(\$ 141,204)	<u>144,548</u>	<u>(\$ 0.98)</u>
	<u>2021</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding balance Outstanding shares (thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 88,311	<u>144,548</u>	<u>\$ 0.61</u>
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 88,311	144,548	
Effect of potential dilutive ordinary shares			
Remuneration to employees	<u>-</u>	<u>181</u>	
Net income attributable to common shareholders of the parent company plus effect of potential common shares	<u>\$ 88,311</u>	<u>144,729</u>	<u>\$ 0.61</u>

(XXVI) Transactions with non-controlling interests

Capital increase in cash by subsidiaries, but not subscribed by the Group according to the shareholding ratio

The Group's subsidiary, Asphetek Solution Inc., issued new shares to increase capital by cash in December 2022. The Group did not subscribe according to the shareholding ratio, so the equity was reduced by 20%. The transaction reduced non-controlling interests by NT\$1,042, and the equity attributable to owners of the parent increased by NT\$1,042. The impacts of changes in the equity of Asphetek Solution Inc. in 2022 on the equity attributed to the parent company are as follows:

	<u>2022</u>
Cash contribution from non-controlling equity	\$ 22,000
Increase in the book value of non-controlling interests	<u>(20,958)</u>
Capital surplus - recognition of change in equity of subsidiaries	<u>\$ 1,042</u>

(XXVII) Supplementary information on cash flow

Investment activities with partial cash payment:

	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 104,339	\$ 109,717
Add: Payables for equipment, beginning	30,081	40,476

Less: Payables for equipment, ending	(22,005)	(30,081)
Cash paid in current period	\$ 112,415	\$ 120,112

	<u>2022</u>	<u>2021</u>
Acquisition of intangible assets	\$ -	\$ -
Add: Premium payable, beginning	16,608	17,088
Long-term notes and accounts payable, beginning	-	17,088
Less: royalty payable, ending	-	(16,608)
Cash paid in current period	<u>\$ 16,608</u>	<u>\$ 17,568</u>

(XXVIII) Changes in liabilities from financing activities

	<u>2022</u>	<u>Lease</u>	<u>Total liabilities from financing</u>
	<u>Short-term</u>	<u>liabilities</u>	<u>activities</u>
	<u>borrowings</u>		
January 1	\$ 52,003	\$ 1,319	\$ 53,322
Net decrease in short-term borrowings	(52,003)	-	(52,003)
Repayment of lease principal	-	(4,765)	(4,765)
Other non-cash changes	-	38,194	38,194
December 31	<u>\$ -</u>	<u>\$ 34,748</u>	<u>\$ 34,748</u>

	<u>2021</u>	<u>Lease</u>	<u>Total liabilities from financing</u>
	<u>Short-term</u>	<u>liabilities</u>	<u>activities</u>
	<u>borrowings</u>		
January 1	\$ 439,452	\$ 2,428	\$ 441,880
Net decrease in short-term borrowings	(387,449)	-	(387,449)
Repayment of lease principal	-	(2,195)	(2,195)
Other non-cash changes	-	1,086	1,086
December 31	<u>\$ 52,003</u>	<u>\$ 1,319</u>	<u>\$ 53,322</u>

VII. Related party transactions

(I) Related party's name and relationship

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
HON HAI PRECISION IND. CO., LTD.	Entities with significant influence on the Group (Investment company with the Company evaluated under the equity method)
Hong Fu Tai Precision Electronics (Yantai) Co., Ltd. (Hong Fu Tai Yantai)	Entities with significant influence on the Group (Consolidated entity of an investment company that evaluates the Company under the equity method)
Kunshan Fu Cheng Ke Precision Electronics Co., Ltd. (Kunshan Fu Cheng Ke)	"
Sharp Corporation (Sharp)	Other related party (same major shareholders)
Sharp Hong Kong Limited. (SHK)	"
Sharp Manufacturing Corporation (M) Sdn. Bhd. (SMM)	"
Nanjing Sharp Electronics Co., Ltd. (Nanjing Sharp)	"
Epileds Technologies, Inc. (Epileds Technologies)	Other related party (The chairman of the Company is a director of the company)
SDP Global (China) Co.,Ltd. (SDP Global) (formerly known as SDP Global International Technology (Guangzhou) Co., Ltd.)	Other related parties (investment companies with significant influence on the Group and adopting the equity method to evaluate)
ELUX, Inc.	Affiliated companies - investee company evaluated by the Company under the equity method

(II) Significant transactions with related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales of goods:		
- Entity with significant influence on the Group		
Hon Hai	\$ 263,114	\$ 293,651
Other related party	<u>226,447</u>	<u>319,703</u>
	<u>\$ 489,561</u>	<u>\$ 613,354</u>

The price of the Group's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties; the payment term to the related parties is 90~ 120 days; for general customers, 30~120 days after settlement of the current month.

2. Purchase stock

	<u>2022</u>	<u>2021</u>
Purchase of goods:		
- Entity with significant influence on the Group	\$ 9,634	\$ 13,867
Other related party	<u>14,669</u>	<u>52,141</u>
	<u>\$ 24,303</u>	<u>\$ 66,008</u>

Except for the fact that there is no similar transaction to follow, the terms of the transaction are determined by both parties through negotiation. For the rest, the Group bills the purchase to the related party at the prevailing price; the terms of payment to the related party, except for some materials, is payment at sight, and the rest are purchased within 90 to 120 days after settlement of the current month, or within 30 to 120 days after settlement of the current month for suppliers.

3. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
- Entity with significant influence on the Group		
Hon Hai	\$ 67,138	\$ 110,250
Other related party		
SDP Global	-	102,841
Nanjing Sharp	48,009	52,841
Others	<u>8,820</u>	<u>39,263</u>
	123,967	305,195
Less: Allowance for losses	<u>(1,043)</u>	<u>(3,153)</u>
	<u>\$ 122,924</u>	<u>\$ 302,042</u>
Other receivables:		
Other related party	<u>\$ 194</u>	<u>\$ 74</u>

4. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
- Entity with significant influence on the Group	\$ 1,108	\$ 2,259
Other related party	<u>3,148</u>	<u>18,631</u>
	<u>\$ 4,256</u>	<u>\$ 20,890</u>
Other payable:		
- Entity with significant influence on the Group	\$ 5,702	\$ 5,688

Other related party	<u>1,211</u>	<u>246</u>
	<u>\$ 6,913</u>	<u>\$ 5,934</u>

5. Outsourcing fees (stated as operating cost)

	<u>2022</u>	<u>2021</u>
Entities with significant influence on the Group	<u>\$ 15,846</u>	<u>\$ 19,285</u>

6. Research expenses (listed R&D expenses)

	<u>2022</u>	<u>2021</u>
Other related party	<u>\$ 1,154</u>	<u>\$ -</u>

7. Rental income (stated as other income)

	<u>2022</u>	<u>2021</u>
Affiliated companies	<u>\$ 795</u>	<u>\$ 771</u>
Other related party	<u>840</u>	<u>840</u>
	<u>\$ 1,635</u>	<u>\$ 1,611</u>

The Group rents some offices, machinery and equipment for use by affiliates and other related parties. The rent is negotiated and collected on a monthly basis as agreed by both parties.

(III) Remuneration to the management

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	<u>\$ 10,492</u>	<u>\$ 11,726</u>
Benefits after retirement	<u>144</u>	<u>108</u>
	<u>\$ 10,636</u>	<u>\$ 11,834</u>

VIII. Pledged assets

None.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingencies

None.

(II) Commitments

1. Capital expenditure contracted but not incurred

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant, and equipment	<u>\$ 9,126</u>	<u>\$ 33,511</u>

2. In order to respond to future business and market changes, the Company signed a LED patent licensing contract with Cree Inc. in December 2019. The contract term is 3 years, and the Company will pay a certain percentage of the royalty based on the sales value. Both parties failed to give written notice to the other party to terminate the contract 6 months prior to the expiry date, and the contract was automatically renewed for another 2 years.
3. The Company signed a phosphor powder licensing contract with a foreign manufacturer in December 2022. According to the agreement, the Company shall pay a certain percentage of the sales amount each year during the contract period as royalty and the royalty when the sales quantity reaches the target.

X. Significant losses from disasters

None.

XI. Materiality after the period

None.

XII. Others

(I) Capital management

The Group's capital management objective is to ensure the Group's sustainable operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders.

(II) Financial instruments

1. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,980	\$ 2,073
Financial assets at FVTOCI		
Investment in selected equity instruments	\$ 140,932	\$ 139,625
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,383,056	\$ 1,403,063
Notes receivable	25,179	3,708
Accounts receivable	330,420	948,727
Accounts receivable - related parties	122,924	302,042
Other receivables	54,459	49,101
	<u>\$ 1,916,038</u>	<u>\$ 2,706,641</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	\$ 1,714	\$ 3,905
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ -	\$ 52,003
Accounts payable	331,828	991,065

Accounts payable - related parties	4,256	20,890
Other payables	248,566	352,714
Other payables - related parties	<u>6,913</u>	<u>5,934</u>
	<u>\$ 591,563</u>	<u>\$ 1,422,606</u>
Lease liabilities	<u>\$ 34,748</u>	<u>\$ 1,319</u>

2. Risk management policies

- (1) The daily operations of the Group are affected by multiple financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse effect on the Group's financial performance resulting from uncertainty, the Group enters into forward exchange contracts and foreign exchange swaps contracts to avoid exchange rate risks.
- (2) For risk management, the Group's finance unit works closely with various operating units within the Group to be responsible for identifying, evaluating and hedging financial risks.
- (3) For information on derivative instruments to avoid financial risks, please see Note VI (II).

3. Nature and extent of significant financial risk

(1) Market risk

Exchange rate risk

- A. The Group operates as a multinational company. Therefore, it is subject to the exchange rate risk arising from transactions that are functionally different from the Company and its subsidiaries, which are mainly USD, Japanese Yen, and RMB. The relevant exchange rate risk comes from future business transactions and recognized assets and liabilities.
- B. The group hedges the overall exchange rate risk through the Group Finance Department. Foreign exchange risk is measured with the use of forward exchange contracts and exchange rate swap contracts to minimize the effect of fluctuating exchange rates on the anticipated transactions of USD, Japanese Yen, and CNY which are highly probable.
- C. The Group uses forward exchange rates to hedge against exchange rate risks, but does not apply the hedge accounting to financial assets or liabilities measured at fair value through profit and loss. Please refer to Note 6 (2).
- D. The Group's business involves several non-functional currencies (the functional currency of the Company and some subsidiaries is NTD, and the functional currency of some subsidiaries is RMB). Therefore, it is affected by exchange rate fluctuations, and there are significant exchange rate fluctuations. The information about assets and liabilities denominated in foreign currencies affected is as follows:

	<u>December 31, 2022</u>		
	<u>Foreign currency (\$ in thousand)</u>	<u>Exchange rate</u>	<u>Book value NTD Thousands</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 13,828	30.7100	\$ 424,658
RMB: NTD	825	4.4080	3,637
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 6,579	30.7100	\$ 202,041
Japanese Yen: NTD	30,950	0.2324	7,193

<u>December 31, 2021</u>			
(Foreign currency: Functional currency)	<u>Foreign currency (\$ in thousand)</u>	<u>Exchange rate</u>	<u>Book value NTD Thousands</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 35,370	27.6800	\$ 979,042
Japanese Yen: NTD	440,612	0.2405	105,967
<u>Non-monetary items</u>			
RMB: NTD	1,209	4.3440	5,252
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 23,718	27.6800	\$ 656,514
Japanese Yen: NTD	283,076	0.2405	68,080

- E. All exchange gains and losses (including realized and unrealized) on the Group's monetary items due to exchange rate fluctuations were aggregated for NT\$27,914 and NT\$13,609 in 2022 and 2021, respectively.
- F. The risk analysis of the Group's foreign currency market due to the impact of significant exchange rate fluctuations is as follows:

<u>2022</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 4,247	\$ -
RMB: NTD	1%	36	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,020	\$ -
Japanese Yen: NTD	1%	72	-
 <u>2021</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			

Monetary items

USD: NTD	1%	\$	9,790	\$	-
Japanese Yen: NTD	1%		1,060		-

Financial liabilities

Monetary items

USD: NTD	1%	\$	6,565	\$	-
Japanese Yen: NTD	1%		681		-

Price risk

- A. The Group's equity instruments exposed to price risk are financial assets measured at fair value through profits or losses and financial assets measured at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the group diversifies its investment portfolio according to the limit set by the group.
- B. The Group mainly invests in equity instruments issued by domestic companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If the prices of these equity instruments rose or fell by 1%, with all other factors remaining unchanged, other comprehensive income in 2022 and 2021 would be classified as gains of equity investment measured at fair value through other comprehensive income. The contingent loss would increase or decrease by NT\$1,409 and NT\$1,396, respectively.

Cash flow and fair value interest rate risk

- A. The interest rate risk of the Group mainly comes from short-term loans issued at floating interest rates, which expose the Group to cash flow interest rate risk. Borrowings issued by the Group at floating interest rates were denominated in US dollars as of December 31, 2021.
- B. If the borrowing rate increased or decreased by 1%, and all other factors remained unchanged, the net income after tax in 2021 would be decreased or increased by NT\$416. This is mainly due to the consequential changes in interest expenses caused by floating interest rate borrowings.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill contractual obligations, which mainly comes from the inability of counterparties to pay off accounts receivable according to the collection terms.
- B. The Group establishes credit risk management from the group perspective. According to the internal credit policy, each operating entity within the Group and each new customer shall determine the payment and delivery terms and conditions before establishing the terms and conditions for payment and delivery and credit risk analysis. Internal risk control is to evaluate the credit quality of customers by considering their financial position, past experience and other factors. The limit of individual risk is set by the Board of Directors according to the internal or external rating. The usage of the credit limit is monitored regularly.
- C. The Group adopts IFRS 9 to provide the hypotheses. When the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed that a default has occurred.
- D. The Group provides the following hypotheses in IFRS 9 as the basis for judging whether the credit risk of financial instruments has increased significantly after the initial recognition:
When the contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- E. The Group classifies notes receivable and accounts receivable (including related parties) of customers according to the characteristics of trade credit risk, and estimates the expected credit loss based on the provision matrix and loss rate method.
- F. After the recourse procedure, the Group will write off the amount of the financial assets for which the recovery cannot be reasonably expected. However, the Group will continue the recourse procedure to preserve the rights of the claims. As of December 31, 2022 and 2021, the Group did not have any creditor's rights that were written off but were still subject to recourse.
- G. The expected loss rate of customers with good credit standing was 0.2%. The total book value of accounts receivable as of December 31, 2022 and 2021 were NT\$56,803 and NT\$166,541, respectively, and the loss allowance was NT\$114 and NT\$248, respectively.

H. The group incorporates economic countermeasures from the National Development Commission into its forward-looking considerations, and adjusts the loss rate based on historical and current information in a specific period to estimate the value of the allowance for loss of the notes and accounts receivable (including related parties) of general credit customers. The preparation matrix as of December 31, 2022 and 2021, is as follows:

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.74%~0.96%	\$ 425,150	\$ 3,390
Within 30 days of overdue	29.89%~34.49%	96	31
Past due by 31 to 60 days	50%	<u>17</u>	<u>8</u>
		<u>\$ 425,263</u>	<u>\$ 3,429</u>

<u>December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.43%~0.90%	\$ 1,055,221	\$ 8,701
Within 30 days of overdue	19.30%~29.36%	27,039	2,486
Past due by 31 to 60 days	50%	<u>17,496</u>	<u>385</u>
		<u>\$ 1,099,756</u>	<u>\$ 11,572</u>

I. The Group's simplified statement of changes in the allowance for loss of notes and accounts receivable (including related parties) is as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 11,820	\$ 8,178
Provision (reversal) of impairment loss	(8,391)	3,656
Reversal of impairment loss on collections	30	-
Foreign exchange rate effect	<u>84</u>	<u>(14)</u>
December 31	<u>\$ 3,543</u>	<u>\$ 11,820</u>

Among the provisions (reversed) of losses in 2022 and 2021, the (reversed) provision for impairment of receivables generated from contracts with customers amounted to (NT\$8,361) and NT\$3,656, respectively.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group's financial unit. The Group's financial unit monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operating needs.
- B. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, which are classified according to the relevant maturity dates. Non-derivative financial liabilities are based on the residual period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the residual period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 336,084	\$ -	\$ -	\$ 336,084
Other payable accounts (including related party)	255,479	-	-	255,479

Lease liabilities	11,645	11,734	12,744	36,123
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 1,714	\$ -	\$ -	\$ 1,714
December 31, 2021	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Short-term borrowings	\$ 52,003	\$ -	\$ -	\$ 52,003
Accounts payable (including related parties)	1,011,955	-	-	1,011,955
Other payable accounts (including related party)	358,648	-	-	358,648
Lease liabilities	725	363	271	1,359
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 3,905	\$ -	\$ -	\$ 3,905

(III) Information on fair value

1. The levels of the evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

- Class I: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks invested by the Group belongs to this.
- Class II: Direct or indirect observable inputs for assets or liabilities, except for quoted prices included in Class I. The fair value of the derivative instruments invested by the Group belongs to this.
- Class III: The unobservable input value of assets or liabilities includes the equity instrument investment that the Group invests in and for which there is no active market.

2. Financial instruments not measured at fair value

Includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable (including related parties), other) (including related parties) and the book value of lease liabilities are the reasonable approximation of the fair value.

3. The financial and non-financial instruments measured at fair value are classified according to the nature, characteristics, risk, and fair value level of the assets and liabilities. Relevant information is as follows:
- (1) The information is classified according to the nature of the Group's assets and liabilities. The relevant information is as follows:

December 31, 2022	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 3,980	\$ -	\$ 3,980
Financial assets at FVTOCI				
Equity securities	<u>122,036</u>	<u>-</u>	<u>18,896</u>	<u>140,932</u>
	<u>\$ 122,036</u>	<u>\$ 3,980</u>	<u>\$ 18,896</u>	<u>\$ 144,912</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 1,714</u>	<u>\$ -</u>	<u>\$ 1,714</u>

December 31, 2021	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 1,769	\$ -	\$ 1,769
Foreign Exchange Swaps Contract	-	304	-	304
Financial assets at FVTOCI				
Equity securities	<u>139,625</u>	<u>-</u>	<u>-</u>	<u>139,625</u>
	<u>\$ 139,625</u>	<u>\$ 2,073</u>	<u>\$ -</u>	<u>\$ 141,698</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 3,905</u>	<u>\$ -</u>	<u>\$ 3,905</u>

- (2) The methods and hypotheses used by the Group to measure fair value are as follows:
- A. If the Group adopts market quotation as the input value of fair value (i.e. Class 1), the characteristics of the instruments are as follows:

	<u>Listed company stock</u>
Market quotation	Closing price

- B. Except for the financial instruments in the active market, the fair value of other financial instruments is based on the evaluation technology or with reference to the quotation of the counterparty.
- C. When evaluating non-standardized and less complicated financial instruments, the Group adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of this kind of financial instrument are usually the information that is observable in the market.
- D. The derivative financial instruments were evaluated according to the evaluation models widely accepted by the market users, such as the discount method. Foreign exchange forward contracts are usually evaluated based on the current forward exchange rate.
- E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of the financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and adjusted according to the current market conditions.
4. There were no transfers between Class I and II in 2022 and 2021.
5. The following table shows the changes in Class III in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ -	\$ 144,954
Profit or loss recognized in other comprehensive income		
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(1,136)	39,291
Purchases in the current period	20,032	-
Sold in the current period	-	(184,245)
December 31	<u>\$ 18,896</u>	<u>\$ -</u>

6. There was no transfer in or out from Class III in 2022 and 2021.
7. In the evaluation process for the Group's fair value classified to Class III, the Finance Department is responsible for verifying the independent fair value of the financial instrument. The data from independent sources are used to approximate the evaluation results to the market status, and to confirm that the data sources are independent, reliable, and resources and any necessary fair value adjustment to ensure that the evaluation result is reasonable.

In addition, the finance department determines the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with relevant International Financial Reporting Standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for Class III fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

December 31, 2022		Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value	
<u>Fair value</u>	<u>Evaluation technology</u>				
Non-derivative equity instruments: Non-listed stocks of TWSE/GTSM	\$18,896	Discounted cash flow method	Note 1	1.8	Note 2
December 31, 2021		Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value	
<u>Fair value</u>	<u>Evaluation technology</u>				
Non-derivative equity instruments: Non-listed stocks of TWSE/GTSM	\$ -	Discounted cash flow method	Note 1	Not applicable	Note 2

Note 1: Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating income, discount for lack of market liquidity, and minority discount.

Note 2: The higher the weighted average capital cost, the discount for lack of market liquidity, and the minority discount, the lower the fair value. The higher the long-term revenue growth rate and the long-term net operating profit before tax, the higher the fair value.

9. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may result in different evaluation results.

XIII. Disclosures in notes

(I) Information about significant transactions

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities): Please refer to Table 1.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: None.
5. The amount of acquired real estate reaches NT\$300 million or more, or 20% of the paid-in capital: None.
6. Disposal of real estate properties amounting to NT\$300 million or more, or 20% of the paid-in capital: None.
7. The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Accounts receivable from related parties amounting to at least NT\$100 million, or 20% of the paid-in capital: Please refer to Table 3.
9. Trading of derivatives: Please refer to Note VI (II).
10. Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them: Please refer to Table 4.

(II) Information on reinvested businesses

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 5.

(III) Investment in Mainland China

1. Basic information: Please refer to Table 6.
2. Significant transactions with investee companies in mainland China directly or indirectly through enterprises in a third region: Please refer to Table 4.

(IV) Information of major shareholders

Information of major shareholders: Please refer to Table 7.

XIV. Departmental Information

(I) General information

The Group only operates in a single industry, and the major operating decision-makers have identified the Group as the single reportable department based on the overall evaluation and the resource allocation of the Group.

(II) Assessment of departmental information

The Group acts as a single reporting unit and reports the group net income before tax to the major operating decision-makers. The measurement method is consistent with the income and expenses in the comprehensive income statement, and the performance of operating departments is evaluated according to the net profit before tax. The Group does not provide the total assets and total liabilities for the main operating decision-maker for operating decision-making.

(III) Information about departmental profit and loss

Information on the reportable departments as provided to major operational decision-makers is as follows:

	<u>2022</u>	<u>2021</u>
Departmental revenue	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>
Departmental profit or loss	<u>(\$ 141,074)</u>	<u>\$ 106,913</u>
Departmental income includes:		
Interest income	<u>\$ 9,805</u>	<u>\$ 4,172</u>
Interest expense	<u>\$ 3,550</u>	<u>\$ 2,902</u>
Depreciation and amortization expenses	<u>\$ 217,996</u>	<u>\$ 221,225</u>
Income tax expenses	<u>\$ 1,172</u>	<u>\$ 18,602</u>

(IV) Reconciliation of departmental profit and loss

There is no difference between the statements that provide the chief operating decision maker for department operating decisions and the department income statements, so no adjustment is required.

(V) Information on product type and service type

The revenue of external customers mainly comes from the R&D, testing, manufacturing and sales of LED.
The balance of revenue is as follows:

	<u>2022</u>	<u>2021</u>
LED - Self-made	\$ 2,153,476	\$ 3,469,528
LED - commodity	255,572	294,435
Others	<u>1,624</u>	<u>632,146</u>
	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

(VI) Information by geographical location

The information by territory of the Group in 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	\$ 131,747	\$ 862,487	\$ 199,234	\$ 943,095
China	1,889,966	5,326	3,700,920	16,312
Hong Kong	108,746	-	164,334	-
Vietnam	129,728	-	126,201	-
USA	78,852	-	94,718	-
South Korea	34,638	-	61,509	-
Others	<u>36,995</u>	<u>-</u>	<u>49,193</u>	<u>-</u>
	<u>\$ 2,410,672</u>	<u>\$ 867,813</u>	<u>\$ 4,396,109</u>	<u>\$ 959,407</u>

Non-current assets refer to non-current items excluding financial instruments, deferred income tax assets, net defined benefit assets, and refundable deposits (stated as other non-current assets).

(VII) Important Customer Information

Important customers accounted for more than 10% of the Group's consolidated revenue in 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Income</u>	<u>Percentage</u>	<u>Income</u>	<u>Percentage</u>
Customer A	\$ 794,241	33	\$ 1,374,347	31
Customer B	314,171	13	383,647	9
Customer C	263,114	11	293,651	7
Customer D	<u>-</u>	<u>-</u>	<u>627,431</u>	<u>14</u>
	<u>\$ 1,371,526</u>	<u>57</u>	<u>\$ 2,679,076</u>	<u>61</u>

Advanced Optoelectronic Technology Inc. and Subsidiaries

Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities)

December 31, 2022

Table 1

Unit: NT\$ Thousand
(unless otherwise stated)

Companies held	Type and name of securities (Note 1)	Relationship with issuer of securities	Account titles in book	End of period				Remark
				Shares (Thousand Shares)	Book value (Note 2)	Shareholding ratio (%)	Fair value	
Advanced Optoelectronic Technology Inc.	Northern Lights Semiconductor Corporation stock	None	Financial assets mandatorily measured at fair value through profit or loss - non-current	2,033	\$ -	10.27%	\$ -	None
Advanced Optoelectronic Technology Inc.	Shares of Excellence Optoelectronics Inc	None	Financial assets at fair value through other comprehensive income - non-current	312	7,016	0.17%	7,016	None
Advanced Optoelectronic Technology Inc.	Shares of Epileds Technologies, Inc.	The chairman of the Company is a director of the company	Financial assets at fair value through other comprehensive income - non-current	8,100	115,020	8.07%	115,020	None
Advanced Optoelectronic Technology Inc.	Shares in Hua Yang Precision Machinery Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	773	18,896	5.12%	18,896	None

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforementioned items within the scope of IFRS 9 "Financial Instruments."

Note 2: If the measurement is based on fair value, please fill in the book balance after adjustment for fair value evaluation and net of accumulated impairment. For the book value not measured at fair value, please fill in the book value of the original acquisition cost or cost after amortization deducting the accumulated impairment in the book value column.

Advanced Optoelectronic Technology Inc. and Subsidiaries

The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

January 1 to December 31, 2022

Table 2

Unit: NT\$ Thousand
(unless otherwise stated)

Purchase (sales) company	Name of counterparty	Relationship	Status of transactions			Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		Percentage in total accounts/notes receivable (payable) (%)	Remarks
			Purchase (sales)	Amount	% of total purchase (sale)	Period of credit extension	Unit price	Period of credit extension	Balance		
Advanced Optoelectronic	ZHAN JING Technology (Shen	Subsidiary of the Company	Sales volume	\$ 326,949	15	O/A with net 120	-	-	\$ 173,105	33	Note 1
Advanced Optoelectronic	HON HAI PRECISION IND. CO.,	Entities with significant influence	Sales volume	263,114	12	O/A with net 120	-	-	67,138	13	Note 1
Advanced Optoelectronic	ZHAN JING Technology (Shen	Subsidiary of the Company	Purchase volume	102,004	9	O/A with net 120	-	-	37,223	13	Note 1
ZHAN JING Technology (Shen	Nanjing Sharp Electronics Co., Ltd.	Other related party	Sales volume	134,633	21	O/A with net 90	-	-	48,009	24	Note 1

Note 1: The price of the Company's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties.

Advanced Optoelectronic Technology Inc. and Subsidiaries

Accounts receivable from related parties amounting to more than NT\$100 million or 20% of the paid-in capital

December 31, 2022

Table 3

Unit: NT\$ Thousand
(unless otherwise stated)

The company that accounts for the accounts receivable	Name of counterparty	Relationship	Receivables from related parties	Turnover (times)	Overdue accounts receivable - related		Subsequent recovery of receivables from related parties	Provision for loss allowance
					Amount	Treatment method		
Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	\$ 173,105	1.21	\$ 69,937	Enhancement of collection service	\$ 81,897	\$ -

Advanced Optoelectronic Technology Inc. and Subsidiaries

Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them

January 1 to December 31, 2022

Table 4

Unit: NT\$ Thousand
(unless otherwise stated)

No. (Note 1)	Name of Transaction Party	Counterparty of transactions	Relationship with the counterparty (Note 2)	Status of transactions			Percentage to consolidated total revenue or total assets (%) (Note 3)
				Accounts	Amount	Trading terms and conditions	
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Sales volume	\$ 326,949	Note 4	13.56
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Purchase volume	102,004	Note 4	4.23
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts receivable	173,105	Note 4	5.38
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts payable	37,223	Note 4	1.16

Note 1: Information on business transactions between the parent company and its subsidiaries shall be specified in the numbered column. The number is to be entered as follows:

- (1) "0" for the parent company.
- (2) Subsidiaries are numbered sequentially from 1 onwards.

Note 2: There are three types of relationship with transaction parties, and it is sufficient to indicate the relationship:

- (1) Between the parent company and its subsidiaries.
- (2) Subsidiary to parent company.
- (3) Subsidiaries to subsidiaries.

Note 3: In employing the ratio of transaction amount to consolidated revenue or assets, if it belongs as an asset and liability item, the ratio is calculated by taking the ending balance to the consolidated total assets. If it belongs as a profit and loss item, the ratio is calculated by taking the interim accumulated amount to the consolidated total revenue.

Note 4: The payment deadline for sales to related parties is 120 days after the shipment. The payment term for purchases with related parties, except for some materials, which is sight payment, is 120 days after purchase.

Note 5: List the ratios of transaction amount to total consolidated revenue or total assets that reach 1%.

Advanced Optoelectronic Technology Inc. and Subsidiaries

The name and location of the investee company and other relevant information (excluding mainland China investee companies)

January 1 to December 31, 2022

Table 5

Unit: NT\$ Thousand
(unless otherwise stated)

Name of investment company	Name of investee company (Note 1, 2)	Location of the Company	Main Business	Initial investment amount		Held at end of period			Profit or loss of the investee	Investment income recognized in the current period	Remarks
				End of current period	End of last year	Shares (Thousand Shares)	Percentage (%)	Book value			
Advanced Optoelectronic Technology Inc.	Advanced Optoelectronic Technology Holding Ltd.	Samoa	Investments in various businesses	\$ 99,811	\$ 99,811	3,250	100	\$ 74,584	\$ 3,411	\$ 3,411	Subsidiary
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc.	Taiwan	Manufacture and sale of electronic components	42,000	-	4,200	60	38,874	(5,210)	(4,168)	Subsidiary
Advanced Optoelectronic Technology Inc.	ELUX, Inc.	USA	Development of micro LED displays	91,188	91,188	283	25.94	-	70,879	-	Investee companies
Advanced Optoelectronic Technology Holding Ltd.	AOT Holding Ltd.	Samoa	Investments in various businesses	67,632	67,632	2,250	100	78,425	3,402	-	Sub-subsidiaries

Note 1: If the public company that has a foreign holding company and complies with local laws and regulations, mainly rely on the consolidated financial statements in its financial statements, the relevant information about the foreign invested company may be disclosed only to the relevant information of the holding company.

Note 2: Please fill in the information as follows for situations other than those described in Note 1:

(1) The columns of "Name of investee company," "Location," "Main business," "Original investment amount" and "Ownership at end of the period" must be filled out based on the (public) Company's investment status and the re-investment situation of each investee directly or indirectly controlled in order, and the relationship between each investee and the (public) Company (e.g., a subsidiary or a sub-subsidiary) must be indicated in the remarks column.

(2) Fill in the amount of current profit or loss of the investee in the column of "Profit or loss of investee for the current period."

(3) The column, Gains and losses on investment recognized for the current period, must be filled out with the (public) Company's recognized subsidiaries through direct investments and the gain or loss amount for each of the equity-method investee company, and the rest is not required. When filling in the "Recognized amount of current profit or loss on each subsidiary directly invested," it must be confirmed that the amount of the current profit or loss on each subsidiary includes

Advanced Optoelectronic Technology Inc. and Subsidiaries

Investment in Mainland China - Basic Information

January 1 to December 31, 2022

Table 6

Unit: NT\$ Thousand
(unless otherwise stated)

Name of investees in Mainland China	Main Business	Paid-in capital	Method of investment (Note 1)	Investment amount exported or recovered in the current period		Investment Amount from Taiwan at End of	Profit or loss of the investee	The Company's direct or indirect shareholding (%)	recognized in the current period Note 2	Book value of investment at ending period	Investment income received in the current period	Remarks
				Taiwan at	Export								Recovered
ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Technology development, wholesale, import/export and related ancillary services of new electronic components and electronic products	\$ 63,698	(2)	\$ 63,698	\$ -	\$ -	\$ 63,698	\$ 3,338	100%	\$ 3,338((2)B)	\$ 77,789	\$ -
An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd.	Technology development of optoelectronic materials, and wholesale of chemical raw materials and products.	21,685	(1)	4,337	-	-	4,337	974	20%	(822)((2)B)	-	-
Guangdong Kai Chuang Display Technology Co., Ltd.	R&D, production and sales of liquid crystal materials; self- operation and agency of the import/export of various commodities and technologies	4,309	(3)	-	-	-	-	20,056	20%	3,881((2)B)	5,554	-
	Accumulated investment from Taiwan to Mainland China at end of period	Investment Amount Approved by Investment Commission, MOEA	Upper limit of investment to Mainland China approved by the Investment Commission, MOEA									
Advanced Optoelectronic Technology Inc.	\$ 68,035	\$ 69,820	\$ 1,523,773									

(USD: \$2,130 thousand)
(RMB: \$1,000 thousand)

Note 1: Investment methods are divided into the following three types. It is sufficient to indicate the types of investments:

- (1) Direct investment in mainland China.
- (2) Reinvestment in Mainland China through a third country company (please specify the investment company in the third country): Reinvest in China through AOT Holding Ltd.
- (3) The Company was directly invested by ZHAN JING Technology (Shen ZHEN) Co., Ltd.

Note 2: Recognized in the investment income column for the current period:

- (1) It shall be specified if the investment is in preparation without any investment income.
- (2) The recognition bases of investment income are classified into the following three categories, which shall be specified:
 - A. Financial statements audited and verified by the international accounting firm associated with the auditing firm of the Republic of China.
 - B. The financial statements audited and verified by the CPAs of the parent company in Taiwan.
 - C. Others.

Note 3: Figures in this table shall be stated in NTD.

Advanced Optoelectronic Technology Inc. and Subsidiaries

Information of major shareholders

December 31, 2022

Table 7

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
BAO XIN INTERNATIONAL INVESTMENTS LIMITED	9,853,000	6.81%
Hua Zhun Investment Co., Ltd.	7,672,000	5.30%

Note 1: The information on major shareholders in this table is based on data of above 5% in total of common stock and preferred stock of the companies held by shareholders have completed dematerialized registration and delivery (including treasury shares) and is calculated each quarter on the final business day, by the Taiwan Depository & Clearing Corporation.

The capital stock reported in the Company's financial statements and the number of shares that the Company has completed dematerialized registration and delivery, may show discrepancies due to different basis in calculation.

Note 2: If any of the above-mentioned entities has transferred control of shareholdings to a trustee, then disclosure of information regarding the entity will be in the form of the Settler's account of trust opened by the trustee. According to the Securities and Exchange Act, insiders or shareholders holding more than 10% of shares must file if any changes in stocks held, which include shareholdings that have been transferred to trustee and trust assets that the shareholder may determine the usage of shares; for filed information of insiders' shares, please refer to the Market Observation Post System website.

Independent Auditors' Report

(2023) Cai-Shen-Bao-Zi No. 22004416

To: Advanced Optoelectronic Technology Inc.

Audit opinion

We have audited the accompanying parent company only balance sheet of Advanced Optoelectronic Technology Inc. as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, parent company only changes in equity and cash flow for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on the audit results of the Independent auditors and the audit report of other accountants (please refer to the other-matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Advanced Optoelectronic Technology Inc. as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers.

Basis for audit opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of Advanced Optoelectronic Technology Inc. in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit report of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of Advanced Optoelectronic Technology Inc. for the year ended December 31st, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the parent company only financial statements of the Company for the year ended December 31, 2022 are as follows:

Inventory valuation

Description of matters

For descriptions of the accounting policies, accounting estimates, and the uncertainties of accounting estimates for inventory valuation and assumptions, and accounting items, please see Notes IV (XI), V (II) and VI (V) to the parent company only financial statements.

The principal business of the Advanced Optoelectronic Technology Inc. is the manufacture and sale of light-emitting diodes. Due to a large number of competitors from China manufacturers, the commodity prices may be vulnerable to fluctuations or the product sale may not be as expected, which may affect the estimation result of the net realizable value of inventory valuation.

The Advanced Optoelectronic Technology Inc. adjusts its inventory requirements in response to the sales market and development strategies. Since LEDs are the main sales commodity, the related inventory amount is significant. The management evaluates the inventory according to the lower cost and net realizable value. Because the above process involves subjective judgments, we believe that the accounting estimate has a significant impact on the assessment of inventory value, so it is listed as one of the most important matters during the audit.

Corresponding audit procedures

This matter covers Advanced Optoelectronic Technology Inc. and its subsidiaries (investment accounted for under the equity method). The main audit procedures that we have implemented are as follows:

1. We have evaluated the policy adopted for the allowance for inventory write-down based on our understanding of the nature of the Advanced Optoelectronic Technology Inc.'s operations and industry.
2. We have tested the basis for the net realizable value to see whether it complies with the policy of the Advanced Optoelectronic Technology Inc.. Calculation is performed by taking the sales and net realizable value of the individual inventory number from random sampling.
3. Obtain obsolete inventory details identified by the management, review related documents, and reconcile the records contained in the accounts.

Other matters - audits conducted by other CPAs

For some of the investees listed in the parent company only financial statements of the Advanced Optoelectronic Technology Inc. which are accounted for using the equity method, their financial statements are not audited and verified by us but by other independent auditors. Therefore, in our opinion of the above-mentioned parent company only financial statements, the amounts of these investees mentioned are based on the audit reports of other independent auditors. The investment in the aforementioned companies under the equity method was NT\$0, accounting for 0% of the total assets as of December 31, 2021. The comprehensive income was (NT\$13,660) thousand, accounting for 9% of the total comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing Advanced Optoelectronic Technology Inc.'s capability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Advanced Optoelectronic Technology Inc., or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing Advanced Optoelectronic Technology Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards of the Republic of China will always detect a material misstatement when it exists. Misstatement may result from fraud or error. Misstatements are considered material, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

We exercised professional judgment and skepticism during the audit in accordance with the Auditing Standards of the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, and the reasonableness of the accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting based on the audit evidence obtained, and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Advanced Optoelectronic Technology Inc., to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Company's audit. We remain solely responsible for our audit opinion.

The matters communicated between us and the governing body include the planned scope and time of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships that may be thought to undermine our independence and other matters (including related protective measures).

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the Company's parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Lin, Po-Chuan

Accountant

Chang, Shu-Chiung

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen - Zi No. 1100350706

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Zheng-Shen - Zi No. 0990042602

March 10 , 2023

Advanced Optoelectronic Technology Inc.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 1,215,940	40	\$ 1,292,823	32
1110	Financial assets at fair value through profit or loss (FVTPL) - Current	VI (II)	3,980	-	2,073	-
1170	Accounts receivable, net	VI (III)	242,191	8	606,217	15
1180	Accounts receivable - related parties, net	VI (III) and (VII)	248,489	8	614,850	15
1200	Other receivables	VI (IV) and VII	28,217	1	49,198	1
1220	Current income tax assets		562	-	218	-
130X	Inventory	VI (V)	140,865	5	259,938	6
1410	Prepayments		6,961	-	5,698	-
1479	Other current assets - others		233	-	274	-
11XX	Total of current assets		<u>1,887,438</u>	<u>62</u>	<u>2,831,289</u>	<u>69</u>
Non-current assets						
1517	Financial assets at FVTOCI - non-current	VI (VI)	140,932	4	139,625	4
1550	Investment under equity method	VI (VII)	113,458	4	71,211	2
1600	Property, plant, and equipment	VI (VIII) (XI) and VII	807,252	26	907,089	22
1755	Right-of-use assets	VI (IX)	2,458	-	353	-
1780	Intangible assets	VI (X)	8,987	-	34,158	1
1840	Deferred tax assets	VI (XXIV)	80,825	3	80,900	2
1975	Net defined benefit assets - non-current	VI (XV)	20,757	1	12,327	-
1990	Other non-current assets - others		1,511	-	1,495	-
15XX	Total non-current assets		<u>1,176,180</u>	<u>38</u>	<u>1,247,158</u>	<u>31</u>
1XXX	Total assets		<u>\$ 3,063,618</u>	<u>100</u>	<u>\$ 4,078,447</u>	<u>100</u>

(continued on next page)

Advanced Optoelectronic Technology Inc.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	VI (XII)	\$ -	-	\$ 52,003	1
2120	Financial liabilities at fair value through profit or loss - Current	VI (II)	1,714	-	3,905	-
2130	Contract liabilities - current	VI (XIX)	112	-	63	-
2170	Accounts payable		248,965	8	798,396	20
2180	Accounts payable - related parties	VII	41,479	1	99,238	3
2200	Other payables	VI (XIII)	203,276	7	297,992	7
2220	Other payables - related parties	VII	1,211	-	5,955	-
2230	Current income tax liabilities		-	-	12,449	-
2280	Lease liabilities - current		1,045	-	361	-
2399	Other current liabilities - others		46,075	2	15,569	1
21XX	Total of current liabilities		<u>543,877</u>	<u>18</u>	<u>1,285,931</u>	<u>32</u>
Non-current liabilities						
2570	Deferred income tax liabilities	VI (XXIV)	4,604	-	3,475	-
2580	Lease liabilities - non-current		1,432	-	-	-
25XX	Total of non-current liabilities		<u>6,036</u>	<u>-</u>	<u>3,475</u>	<u>-</u>
2XXX	Total liabilities		<u>549,913</u>	<u>18</u>	<u>1,289,406</u>	<u>32</u>
Equity						
Share capital						
3110	Common stock share capital	VI (XVI)	1,445,480	47	1,445,480	35
Capital Surplus						
3200	Capital Surplus	VI (XVII)	954,265	32	953,223	23
Retained earnings						
3310	Legal reserves	VI (XVIII)	195,549	6	176,103	4
3350	Undistributed earnings (losses to be compensated)		(26,853)	(1)	194,458	5
Other equity						
3400	Other equity		(54,736)	(2)	19,777	1
3XXX	Total equity		<u>2,513,705</u>	<u>82</u>	<u>2,789,041</u>	<u>68</u>
Significant Contingent Liabilities and Unrecognized Commitments						
3X2X	Total liabilities and equity		<u>\$ 3,063,618</u>	<u>100</u>	<u>\$ 4,078,447</u>	<u>100</u>

The notes to the parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer: Cheng, Chen-Hsun

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	VI (XIX) and VII	\$ 2,186,918	100	\$ 4,159,857	100
5000 Operating cost	VI (V) (XIII) and VII	(1,948,006)	(89)	(3,595,440)	(86)
5900 Gross profit		238,912	11	564,417	14
5910 Unrealized gains on sales		(3,924)	-	(8,067)	-
5920 Realized gain on sales		8,067	-	2,002	-
5950 Gross operating profit, net		243,055	11	558,352	14
Operating expenses	VI (XXIII) and VII				
6100 Sales and marketing expenses		(156,908)	(7)	(229,770)	(6)
6200 Administrative expenses		(174,273)	(8)	(173,474)	(4)
6300 R&D expenses		(78,879)	(4)	(87,962)	(2)
6450 Expected credit impairment gain (loss)	XII (II)	4,594	-	(972)	-
6000 Total operating expenses		(405,466)	(19)	(492,178)	(12)
6900 Operating income (loss)		(162,411)	(8)	66,174	2
Non-operating income and expense					
7100 Income from interest		9,487	-	3,711	-
7010 Other income	VI (XX) and VII	12,091	1	28,904	1
7020 Other gains and losses	VI (XXI) and VII	4,548	-	19,577	-
7050 Financial cost	VI (XXII)	(3,233)	-	(2,873)	-
7070 Share of the profit or loss of the subsidiaries, affiliated companies and joint ventures under the equity method	VI (VII)	(1,579)	-	(8,580)	-
7000 Total non-operating income and expenses		21,314	1	40,739	1
7900 Net income (loss) before tax		(141,097)	(7)	106,913	3
7950 Income tax expenses	VI (XXIV)	(107)	-	(18,602)	(1)
8200 Net income (loss) in the current period		<u>(\$ 141,204)</u>	<u>(7)</u>	<u>\$ 88,311</u>	<u>2</u>
Other comprehensive income (net)					
Items not reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	VI (XV)	\$ 5,483	-	\$ 2,377	-
8316 Unrealized gains (losses) on investments in equity instruments at FVTOCI	VI (VI)	(75,607)	(3)	59,244	2
8349 Income tax related to items not reclassified	VI (XXIV)	(1,097)	-	(475)	-
8310 Total of items not reclassified to profit or loss		(71,221)	(3)	61,146	2

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

		_____	_____	_____	_____
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange difference in the translation of the financial statement of foreign operations	1,070	-	(528)	-
8380	Share of other comprehensive income of subsidiaries, affiliates and joint ventures accounted for under the equity method - items that may be reclassified as income	148	-	445	-
		_____	_____	_____	_____
8360	Total of items that may be reclassified subsequently to profit or loss	1,218	-	(83)	-
8300	Other comprehensive income (loss) - net amount after tax	(\$ 70,003)	(3)	\$ 61,063	2
8500	Total comprehensive income (loss) in the current period	(\$ 211,207)	(10)	\$ 149,374	4
		_____	_____	_____	_____
	Earnings per share (Loss)				
9750	Basic earnings (loss) per share	(\$ 0.98)		\$ 0.61	
9850	Diluted earnings (loss) per share	(\$ 0.98)		\$ 0.61	

The notes to the parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer: Cheng, Chen-Hsun

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	Capital Surplus				Retained earnings			Other equity			Total equity
		Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	undistributed earnings	Exchange difference in the translation of the financial statement of foreign operations	Financial assets at FVTOCI - Unrealized gains or losses	
<u>2021</u>												
Balance on January 1, 2021		\$ 1,445,480	\$ 936,594	\$ 5,723	\$ 10,976	\$ 48	\$ 194,720	\$ 45,825	(\$ 64,442)	(\$ 5,547)	\$ 70,408	\$ 2,639,785
Net income for the period		-	-	-	-	-	-	88,311	-	-	-	88,311
Other comprehensive income (loss)	VI (VI)	-	-	-	-	-	-	1,902	(83)	59,244	-	61,063
Total comprehensive income (loss)		-	-	-	-	-	-	90,213	(83)	59,244	-	149,374
Appropriation and distribution of retained earnings for 2020:	VI (XVIII)											
Legal reserve used to make up losses		-	-	-	-	-	(18,617)	18,617	-	-	-	-
Reversal of special reserve		-	-	-	-	-	(45,825)	45,825	-	-	-	-
Proceeds from accepting gifts		-	-	177	-	-	-	-	-	-	-	177
Changes in affiliated companies recognized under the equity method	VI (VII)	-	-	-	(295)	-	-	-	-	-	-	(295)
Equity instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	104,245	-	(104,245)	-	-
Balance on December 31, 2021		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041
<u>2022</u>												
Balance on January 1, 2022		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041
Current net loss		-	-	-	-	-	-	(141,204)	-	-	-	(141,204)
Other comprehensive income (loss)	VI (VI)	-	-	-	-	-	-	4,386	1,218	(75,607)	(70,003)	(70,003)
Total comprehensive income (loss)		-	-	-	-	-	-	(136,818)	1,218	(75,607)	(211,207)	(211,207)

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	Capital Surplus				Retained earnings			Other equity		Total equity
		Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	undistributed earnings	Exchange difference in the translation of the financial statement of foreign operations		Financial assets at FVTOCI - Unrealized gains or losses
Appropriation and distribution of 2021 VI earnings:	(XVIII)										
Provision of legal reserve		-	-	-	-	19,446	-	(19,446)	-	-	-
Cash dividends		-	-	-	-	-	-	(65,047)	-	-	(65,047)
Changes in affiliated companies recognized under the equity method	VI (VII)	-	-	-	1,042	-	-	-	-	-	1,042
Disposal of investment under equity method		-	-	-	-	-	-	-	(124)	-	(124)
Balance at December 31, 2022		<u>\$ 1,445,480</u>	<u>\$ 936,594</u>	<u>\$ 5,900</u>	<u>\$ 11,723</u>	<u>\$ 195,549</u>	<u>\$ -</u>	<u>(\$ 26,853)</u>	<u>(\$ 4,536)</u>	<u>(\$ 50,200)</u>	<u>\$ 2,513,705</u>

The notes to the parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer: Cheng, Chen-Hsun

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2022	January 1 - December 31, 2021
<u>Cash flow from operating activities</u>			
Net income before tax (net loss) in the current period		(\$ 141,097)	\$ 106,913
Adjustment items			
Income/expenses that do not affect cash flow			
Depreciation expenses	VI (XXIII)	178,370	189,857
Amortized expenses	VI (X) (XXIII)	26,328	26,124
Expected credit impairment (gain) loss	XII (II)	(4,594)	972
Losses on financial assets and liabilities at FVTPL	VI (II) (XXI)	16,879	720
Interest expense	VI (XXII)	3,233	2,873
Interest income		(9,487)	(3,711)
Dividend income	VI (XX)	(3,075)	(219)
The share of loss on the subsidiaries and affiliated companies under the equity method	VI (VII)	1,579	8,580
Loss (gain) on disposal of property, plant and equipment	VI (XXI)	461	(6,685)
Gains on disposal of investment accounted for using equity method		(636)	-
Impairment losses of property, plant and equipment	VI (VIII) (XI) (XXI)	6,197	-
Unrealized gains on sales		3,924	8,067
Realized gain on sales		(8,067)	(2,002)
Changes in operating activities related assets/liabilities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss (FVTPL) - Current		(1,907)	3,880
Accounts receivable		366,487	603,128
Accounts receivable - related parties		368,464	(66,673)
Other receivables		21,848	8,573
Inventory		119,073	47,140
Prepayments		(1,263)	(2,103)
Other current assets		41	(274)
Net changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss - Current		(19,070)	(9,389)
Contract liabilities - current		49	(931)
Accounts payable		(549,431)	(211,745)
Accounts payable - related parties		(57,759)	60,479
Other payables		(72,879)	14,490
Other payables - related parties		(4,744)	(21,105)
Other current liabilities - others		30,506	(9,156)
Net defined benefit obligation		(2,947)	(1,081)
Cash inflow from operations		266,483	746,722
Interest received		8,620	3,428
Dividends received		3,075	219
Interest paid		(2,944)	(3,059)
Income tax refunded		-	187
Income tax paid		(12,793)	(74)
Net cash inflow from operating activities		<u>262,441</u>	<u>747,423</u>

(continued on next page)

Advanced Optoelectronic Technology Inc.
Parent Company Only Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	<u>Notes</u>	<u>January 1 - December 31, 2022</u>	<u>January 1 - December 31, 2021</u>
<u>Cash flows from investing activities</u>			
Financial assets at amortized cost - current decrease		\$ -	\$ 800
Acquisition of financial assets at fair value through other comprehensive income - non-current		(76,914)	-
Disposal of financial assets at fair value through other comprehensive income - non-current	VI (VI)	-	184,245
Investment under equity method acquired	VI (VII)	(42,000)	-
Disposal of investment under equity method	VI (VII)	5,089	29,766
Acquisition of property, plant, and equipment	VI (XXVI)	(90,884)	(112,657)
Disposal of property, plant, and equipment		74	6,685
Acquisition of intangible assets	VI (XXVI)	(16,608)	(17,568)
Decrease of other non-current assets - others		14	930
Net cash inflow (outflow) from investing activities		(221,229)	92,201
<u>Cash flow from financing activities</u>			
Net decrease in short-term borrowings	VI (XXVII)	(52,003)	(387,449)
Repayment of lease principal	VI (XXVII)	(1,045)	(1,090)
Distribution of cash dividends	VI (XVIII)	(65,047)	-
Proceeds from accepting gifts		-	177
Net cash outflow from financing activities		(118,095)	(388,362)
Current cash and cash equivalents increase (decrease)		(76,883)	451,262
Opening balance of cash and cash equivalents		1,292,823	841,561
Closing balance of cash and cash equivalents		<u>\$ 1,215,940</u>	<u>\$ 1,292,823</u>

The attached notes to the parent company only financial reports are part of this parent company only financial report; please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang
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Chief Accounting Officer: Cheng, Chen-Hsun

Advanced Optoelectronic Technology Inc.
Notes to parent company only financial statements
2022 and 2021

Unit: NT\$ Thousand
(unless otherwise stated)

I. Company history

Advanced Optoelectronic Technology Inc. (hereinafter referred to as the "Company") was incorporated in the Republic of China on October 2, 1999. The original name in Mandarin was changed (from "Hsien Chin Kai Fa Corporation" to "Jung Chuang Corporation"), while the English name of the Company remains the same. The renaming was approved by the competent authority on July 14, 2010. The Company primarily engages in the R&D, testing, manufacturing and sale of LEDs, as well as the import/export and trading of raw materials and semi-finished products. The Company's shares have been listed for trading on the Taiwan Stock Exchange since July 9, 2014.

II. Adoption of the date and procedures of the Financial Statements

The parent company only financial report was approved by the Board of Directors on March 10, 2023.

III. Applicable new and amended standards and interpretations

(I) Effect upon adoption of the new and amended IFRSs that came into effect and approved by the Financial Supervisory Commission ("FSC").

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2022 that came into effect and endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2023 endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

(III) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

IV. Summary of significant accounting policies

The major accounting policies adopted in the preparation of this parent company only financial report are described below. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Compliance statement

This parent company only financial statement was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (2) Financial assets at fair value through other comprehensive income.
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred to herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(III) Conversion of foreign currencies

Items included in the parent company only financial report of the Company are measured by the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The parent company only financial statements are presented in the Company's functional currency, which is "New Taiwan Dollar".

1. Transactions and balances in foreign currencies

- (1) Transactions in foreign currencies are converted into the functional currency at the spot exchange rate on the transaction or measurement date, and the difference from such conversion is recognized as the profits or losses for the current term.
- (2) The balance of foreign currency assets and liabilities is adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the difference from such adjustment is recognized as the profits or losses for the current term.
- (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through profit and loss is adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference generated as a result of the adjustment is recognized as the current profit and loss; the value measured through other for the comprehensive profit or loss that is measured at fair value, it shall be adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be stated as the other comprehensive income. Those not measured using fair value shall be measured using historical rates on the initial trading day.
- (4) All exchange gains and losses are reported in the "other gains and losses" of the comprehensive income statement.

2. Conversion of foreign operations

- (1) For all entities whose functional currency is different from the presentation currency, the operating results and financial status are converted into the presentation currency in the following ways:
 - A. Assets and liabilities expressed in each balance sheet are converted at the closing exchange rate on the balance sheet date;
 - B. The income, expense, and loss expressed in each comprehensive income statement shall be converted at the average exchange rate in the current period; and
 - C. All exchange differences arising from conversion are recognized in other comprehensive income.
- (2) When the foreign operations disposed or sold are affiliated companies, the exchange differences will be re-categorized under other comprehensive income proportionally to the current profits or losses as part of the sales profits or losses. However, if the Company still retains part of its equity in the former affiliate, but has lost its significant influence on the affiliated enterprise of foreign operations, it shall be treated as a disposal of all interests in the foreign operations.
- (3) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is re-attributed to the non-controlling interests of the foreign operation on a pro-rata basis. However, if the Company still retains part of its equity in the former subsidiary but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the equity of the foreign operation.

(IV) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) The asset is expected to be realized, sold or consumed in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Company classifies all assets not meeting the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Expected to be settled in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. If the terms about liabilities can be paid off by issuing equity instruments as per the choice of the counterparty, the categorization is not affected.

The Company classifies all liabilities not meeting the above conditions as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of changes in value. Time deposits that meet the definition above and mature within three months from the date of acquisition and are held to meet short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial assets at fair value through profit or loss (FVTPL)

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Company adopts transaction day accounting for financial assets measured at fair value through profit and loss in conformity with trading practices.
3. The Company measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(VII) Financial assets at FVTOCI

1. Refers to an irrevocable choice made at the time of original recognition to recognize the changes in the fair value of the equity instrument investment held not for trading in other comprehensive profit or loss.
2. The Company adopts the transaction day accounting for financial assets measured at fair value through other comprehensive income in conformity with trading practices.
3. The Company measures its fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the cumulative gain or loss previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to the dividends are very likely to inflow, and the dividend amount can be measured reliably, the Company recognizes dividend income in profit or loss.

(VIII) Accounts receivable

1. Refer to the accounts for which the contract provides for the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts receivable with unpaid interest, the impact of discounting is small, and the Company measures them at the original invoice amount.
3. The business model of the accounts receivable that the Company expects to sell is for the purpose.

(IX) Impairment of financial assets

On each balance sheet date, the Company, with respect to financial assets measured at amortized cost and accounts receivable containing major financial components, considers all reasonable and supporting information (including forward-looking ones). Where the credit risk has not increased significantly since the original recognition, the loss allowance shall be measured at the 12-month expected credit loss amount; where the credit risk has increased significantly since the original recognition, the loss allowance shall be measured at the expected credit loss amount throughout the duration. For the accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit losses throughout the duration.

(X) Derecognition of financial assets

The Company will de-recognize financial assets when one of the following conditions is met:

1. Invalidation of the contractual right to receive cash flows from financial assets.
2. The contractual rights over the cash flows of financial assets are transferred, and almost all risks and rewards of ownership of the financial assets have been transferred.
3. The Company has transferred the contractual rights over the cash flows of financial assets, but has not retained control over the financial assets.

(XI) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined in accordance with the weighted average method. The cost of finished goods and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. Where the lower cost and net realizable value, the itemized comparison method is adopted. Net realizable value is the balance from the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs required to complete the sale.

(XII) Investment under equity method - Subsidiaries and affiliated enterprise

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. The unrealized profit or loss from the transactions between the Company and its subsidiaries has been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company recognizes the share of profit or loss of the subsidiary after the acquisition as the current profit or loss, and recognizes the share of other comprehensive income after the acquisition of the subsidiary as other comprehensive income. If the share of losses recognized by the Company in a subsidiary equals or exceeds the equity in the said subsidiary, the Company continues to recognize losses in proportion to its shareholding ratio.
4. Affiliated companies are entities over which the Company has significant influence but no control. Generally, the Company holds more than 20% of their shares with voting rights directly or indirectly. The Company's investment in an affiliated company is accounted for under the equity method and is recognized at time of acquisition at cost.
5. The Company recognizes the share of profit or loss of the affiliated companies after the acquisition as the current profit or loss, and recognizes the share of other comprehensive income after the acquisition of the subsidiary as other comprehensive income. If the Company's share of losses on any affiliated company equals or exceeds its equity in the said affiliated company (including any other unsecured receivables), the Company will not recognize further losses, unless the Company incurs statutory obligations, constructive obligations, or payments made on behalf of them.
6. When there is an equity change in the non-profit and loss and other comprehensive income in the affiliated company with no impact on the shareholding ratio of the affiliated company, the Company will recognize all the equity changes as "capital reserve" according to the shareholding ratio.
7. The unrealized profits or losses arising from transactions between the Company and an affiliate have been written off proportionally to the equity the Company holds in the said affiliate. Unless evidence shows that assets transferred through the said transaction are impaired, unrealized losses are written off, too. Accounting policies of affiliated companies have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
8. If the Company fails to subscribe or acquire new shares in proportion to the issuance of new shares, resulting in a change in the investment proportion but still significant influence on the affiliate, the increase or decrease in the change in the net value of equity shall be the adjustment of the "Capital Surplus" and "Equity-Method Investment." If the proportion of investment decreased as a result, except for the above adjustment, related to the decrease in ownership interest and has been recognized in the profit or loss of other comprehensive income before, and the profit or loss must be reclassified to profit and loss during the disposal of related assets or liabilities, if any, is reclassified to profit or loss proportionally.
9. When the Company disposes of an associate, if it loses its material influence on the associate, for all amounts recognized in other comprehensive income related to the associate, its accounting treatment will be the same as if the Company directly disposes of the relevant assets or liabilities. On the same basis, i.e. if the gain or loss previously recognized as other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed, losing material influence on the affiliates, the profit or loss is reclassified from equity to profit or loss. If it still has significant influence on the affiliated company, only the amount recognized previously in other comprehensive income shall be transferred out

proportionally.

10. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profits and losses and other comprehensive income of the current term in the Parent Company-only Financial Statement shall be identical to the amounts attributed to the owner of the parent company in the financial statements prepared on the basis of consolidation. The shareholders' equity as reported shall be identical to the equity attributable to the parent company in the financial statements prepared on the basis of consolidation.

(XIII) Property, plant, and equipment

1. Property, plant, and equipment are recorded at the acquisition cost.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Company and the cost of the project can be measured reliably. The book value of replacements shall be de-recognized. All other maintenance expenses are recognized as income at the time of occurrence.
3. Property, plant, and equipment are subsequently measured at cost. Except for land, no depreciation is made, whereas depreciation is calculated using the straight-line method over the estimated useful years. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Company examines the residual value, useful lives and depreciation methods of each asset at the end of each fiscal year. If the residual value and useful lives are different from the estimates, or if there is a material change in the expected consumption pattern of future economic benefits of the asset, the effect shall be treated in accordance with the provisions of IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" from the date of the occurrence of the changes.

The durability of each asset is as follows:

Houses and buildings 5 to 25 years

Machinery and equipment 5 to 10 years

Office equipment 3 ~ 5 years

Other equipment 1 to 6 years

(XIV) Lease transactions with lessees - right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Company. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as expenses during the lease period using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the Company's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes other than contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost includes the initially measured amount of the lease liabilities.

The subsequent measurement is based on the cost model, and the depreciation expense is recognized when the service life of the right-of-use assets expires or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, the right-of-use assets will adjust any re-measurement of the lease liabilities.

4. For the lease modification that reduces the scope of the lease, the lessee will reduce the book value of the right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference between the re-measured amount of the leasehold and the lease liabilities in profit or loss.

(XV) Intangible assets

1. The royalty is recognized at the acquisition cost and amortized over the effective years of the contract.

2. Computer software is recognized at the cost of acquisition and amortized using the straight-line method over 1 to 6 years of estimated durability.

(XVI) Impairment of non-financial assets

On the Balance Sheet date, the Company estimates the recoverable value of assets with signs of impairment. When the recoverable value is less than the book value, the impairment loss is recognized. Recoverable amount is the higher of the fair value of an asset less the disposal cost or the use value, whichever is higher. When the impairment of assets recognized in the previous year does not exist or decrease, the impairment loss will be reversed. However, the increase in the book value of the assets due to the reversal of the impairment loss shall not exceed the book value of the asset without the impairment loss recognized less the amount of the depreciation or amortization of the asset.

(XVII) Borrowings

Refers to short-term borrowings from banks. The Company measures its fair value less transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses during the outstanding period according to the amortization procedure in profit or loss.

(XVIII) Accounts payable

1. Refers to liabilities arising from the purchase of raw materials, commodities, or labor services on credit and accounts payable arising from business and non-business reasons.
2. For short-term accounts payable with unpaid interest, the impact of discounting is small, and the Company measures them at the original invoice amount.

(XIX) Financial liabilities measured at fair value through profit or loss

1. Financial liabilities held for trading with the main purpose of repurchasing in the near future and derivatives other than those designated as hedging instruments according to hedge accounting.
2. The Company measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(XX) Derecognition of financial liabilities

The Company will derecognize financial liabilities when the contractual obligation is fulfilled, canceled or expired.

(XXI) Non-hedging derivative instruments

Non-hedging derivatives are measured at the fair value on the contract signing date at the time of original recognition, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXII) Employee benefit

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid, and stated as expenses when the related services are provided.

2. Pension fund

(1) Determined contribution plan

For the defined contribution plan, the amount to be allocated to the pension fund is recognized as the pension cost in the current period on an accrual basis. Prepaid contribution is recognized as assets to the extent of refundable in cash or reduced in future payments.

(2) Defined benefit plan

A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current period or in the past, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. An actuary using the Projected Unit Credit Method estimates defined

benefit obligations each year. The discount rate is the market yield rate of the government bonds (at the balance sheet date) with the same currency and duration as the defined benefit plan on the balance sheet date.

B. The re-measurement generated from the defined benefit plan shall be stated as other comprehensive income in the current period and presented in the retained earnings.

3. Termination benefits

Termination benefits are the benefits provided upon termination of employment before a normal retirement date or provided by employees upon acceptance of an offer of benefits in exchange for the termination of employment. The Company will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits in full 12 months after balance sheet date will be discounted.

4. Remuneration to employees and directors

The remuneration of employees and directors is recognized as expenses and liabilities when they have legal or constructive obligations and the value can be reasonably estimated. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(XXIII) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except for the income tax related to the items recognized in other comprehensive profit or loss or recognized directly in equity and recognized in other comprehensive profit or loss or directly recognized in equity, respectively.
2. The current income tax is calculated according to the tax rate that has been enacted or substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management regularly evaluates the status of income tax filings for applicable income tax laws and regulations, and estimates income tax liabilities based on the taxes expected to be paid to the tax authorities, if applicable. The income tax for undistributed earnings that is levied in accordance with the Income Tax Act is to be recognized in undistributed earnings income tax expenses in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated, after the proposal for distribution of earnings is passed at the shareholders' meeting.
3. The balance sheet method is adopted for deferred income tax, and the temporary difference generated between the tax bases of assets and liabilities and the book value in the parent company only balance sheet is recognized. If the deferred income tax arises from the initial recognition of assets or liabilities in a transaction (excluding business merger), and the accounting profit or taxable income (taxable loss) is not affected by the transaction, the deferred income tax shall not be recognized. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future, shall not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.
4. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to offset against future taxable income, and the unrecognized and recognized deferred income tax assets shall be re-evaluated on each balance sheet date.
5. Current income tax assets and liabilities are offset against each other when the Company has the legally enforceable right to offset the recognized amounts and the Company intends to settle on a net basis or realize assets and settle liabilities simultaneously. When there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities are levied by the same tax authority for the same tax subject, or different tax subjects resulted, but each tax subject intends for the deferred income tax assets and liabilities to offset against each other when they are settled on a net basis or the assets and liabilities are realized at the same time.

(XXIV) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issuance of new

shares or stock warrants, net of income tax, is stated as a deduction in equity.

(XXV) Distribution of dividends

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and recognized as common stock on the base date of issuance of new shares.

(XXVI) Recognition of income

Sales of goods

1. The Company manufactures and sells LED and other related products. The sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the Company has no outstanding performance obligation that may affect the customer in accepting the product. When the product is delivered to the designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or there is objective evidence to prove that all acceptance criteria have been met.
2. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Company has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

(XXVII) Government grants

Government grants are recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government grant and will receive the grant. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Company, the government subsidies shall be recognized as current profit or loss on a systematic basis during the period when the relevant expenses are incurred.

V. Major sources of significant accounting judgments, estimates, and assumptions uncertainty

When the Company prepared this parent company only financial report, the management has used its judgment to determine the adopted accounting policies, and made accounting estimates and assumptions based on the reasonable expectation of future events based on the situation on the balance sheet date. The significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risks that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainty of significant accounting judgments, estimates, and assumptions:

(I) Important judgments adopted for accounting policies

None.

(II) Important accounting estimates and assumptions

Valuation of inventories

Because inventories must be priced at the lower of the cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventories on the balance sheet date. Due to the large number of competitors in mainland China, commodity prices are susceptible to fluctuations or product sales are not as good as expected. The Company assesses the amount of inventory on the balance sheet date due to normal wear and tear, obsolescence, or no market sales value, and writes off the cost of the inventories against it to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

On December 31, 2022, the book value of the Company's inventories amounted to NT\$140,865.

VI. Description of important accounting items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash allowance	\$ 20	\$ 20
Demand deposits	154,855	219,763
Time deposit	<u>1,061,065</u>	<u>1,073,040</u>
	<u>\$ 1,215,940</u>	<u>\$ 1,292,823</u>

1. The financial institutions that the Company does business with have good credit quality, and the Company does business with multiple financial institutions to diversify the credit risk, and the possibility of expected default is very low.

2. The Company does not put cash and cash equivalents up for pledge.

(II) Financial assets and liabilities at FVTPL

<u>Assets items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives		
-Forward Exchange Contract	\$ 3,980	\$ 1,769
-Foreign Exchange Swaps Contract	<u>-</u>	<u>304</u>
	<u>\$ 3,980</u>	<u>\$ 2,073</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-listed, OTC, or emerging stocks	\$ 40,619	\$ 40,619
Adjustment of evaluation	<u>(40,619)</u>	<u>(40,619)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trading		
Derivatives		
-Forward Exchange Contract	<u>(\$ 1,714)</u>	<u>(\$ 3,905)</u>

1. The details of financial assets and liabilities measured at fair value through profit and loss recognized in profit and loss are as follows:

	<u>2022</u>	<u>2021</u>
Financial liabilities derivatives mandatorily measured at fair value through profit or loss and available-for-sale financial liabilities	(\$ <u>16,879</u>)	(\$ <u>720</u>)

2. The transaction and contract information of derivative financial assets and liabilities not subject to hedging accounting are explained as follows:

<u>December 31 2022</u>			
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount</u>		<u>Contract period</u>
	<u>(nominal principal)</u>	<u>(NT\$ thousand)</u>	
Current items:			
Forward exchange contract			
Sell USD and buy NTD	USD	8,000	2022/09/16~2023/04/24
Sell USD and buy JPY	JPY	24,300	2022/12/22~2023/02/08
Sell CNY and buy NTD	CNY	2,000	2022/12/05~2023/01/30
Sell CNY and buy USD	CNY	21,500	2022/07/12~2023/05/25

<u>December 31 2022</u>			
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount</u>		<u>Contract period</u>
	<u>(nominal principal)</u>	<u>(NT\$ thousand)</u>	
Current items:			
Forward exchange contract			
Sell USD and buy NTD	USD	14,000	2021/09/29~2022/03/23
Sell USD and buy JPY	JPY	40,800	2021/11/24~2022/03/08
Sell CNY and buy NTD	CNY	21,300	2021/09/10~2022/05/25
Sell CNY and buy USD	CNY	35,900	2021/08/12~2022/06/17
Foreign Exchange Swaps Contract			
Sell JPY and buy NTD	JPY	200,000	2021/12/27~2022/01/21

The foreign exchange forward transactions entered into by the Company are pre-sale forward transactions to avoid the exchange rate risk of export proceeds; the foreign exchange swaps contract is for currency exchange at a fixed exchange rate, and hedge accounting is not applied to meet the need for capital dispatch.

3. For information on the credit risk of financial assets and liabilities at fair value through profit and loss, please refer to Note XII (II).

(III) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 243,938	\$ 610,425
Less: Allowance for losses	(<u>1,747</u>)	(<u>4,208</u>)
	<u>\$ 242,191</u>	<u>\$ 606,217</u>
Accounts receivable - related parties	\$ 249,063	\$ 617,527

Less: Allowance for losses	(<u>574</u>)	(<u>2,677</u>)
	\$ <u>248,489</u>	\$ <u>614,850</u>

1. Aging analysis of accounts receivable (including related parties) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not overdue	\$ 421,071	\$ 1,137,160
Within 30 days of overdue	17,221	47,198
Past Due 31-60 Days	25,980	43,594
Past due 61-90 days	<u>28,729</u>	<u>-</u>
	<u>\$ 493,001</u>	<u>\$ 1,227,952</u>

The above is an aging analysis based on the number of overdue days.

- The balance of accounts receivable (including related parties) as of December 31, 2022 and 2021 were generated from contracts with customers and the balance and allowance for loss of the accounts receivable (including related parties) from contracts on January 1, 2021 amounted to NT\$1,764,407 and NT\$5,913, respectively.
- Without considering the collateral or other credit-enhancing collaterals held, the measure that best represents the exposure to the Company's accounts receivable (including related parties) with the highest credit risk as of December 31, 2022 and 2021, the risk exposure amounted to NT\$490,680 and NT\$1,221,067 respectively.
- As of December 31, 2022 and 2021, the amount of accounts receivable transferred to collection (stated as other non-current assets) amounted to NT\$483,948 and NT\$483,978 respectively, which had been fully provided against loss; and in 2022 and 2021, the provision (reversal) of allowance for losses collection (stated as other non-current assets) was (\$30) and \$0, respectively.
- In order to increase the credit limit of some customers, the Company obtained guarantee letters of credit and guarantee deposits from some customers.
- For credit risk information of accounts receivable (including related parties), please see Note XII (II).

(IV) Transfer of financial assets

The Company signed an accounts receivable transfer contract with Taipei Fubon Bank on November 3, 2020. According to the contract, the Company does not have to bear the risk of uncollectible accounts receivable, but only needs to bear the losses resulting from commercial disputes. The Company has not had any continuing involvement in the transferred accounts receivable. Therefore, the Company de-recognized the selling accounts receivable and the relevant information not due yet is as follows:

Unit: NTD thousand

December 31, 2022

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 2,997	USD 2,997	USD 2,548	US Dollar -	5.34%~5.84%

December 31, 2021

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 7,185	USD 7,185	USD 6,034	US Dollar -	0.67%~0.85%

As of December 31, 2022 and 2021, the selling accounts receivable assigned by the Company included retentions of NT\$13,802 and NT\$31,865, respectively, which had been transferred to other receivables.

(V) Inventory

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 56,600	(\$ 27,095)	\$ 29,505
Work-in-progress	85,708	(31,861)	53,847
Finished goods	75,433	(29,565)	45,868
Merchandise inventory	<u>13,444</u>	<u>(1,799)</u>	<u>11,645</u>
	<u>\$ 231,185</u>	<u>(\$ 90,320)</u>	<u>\$ 140,865</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 77,858	(\$ 26,321)	\$ 51,537
Work-in-progress	138,417	(17,179)	121,238
Finished goods	95,237	(31,069)	64,168
Merchandise inventory	<u>30,088</u>	<u>(7,093)</u>	<u>22,995</u>
	<u>\$ 341,600</u>	<u>(\$ 81,662)</u>	<u>\$ 259,938</u>

Inventory cost recognized as expenses and losses by the Company in the current period:

	<u>2022</u>	<u>2021</u>
Cost of sold inventory	\$ 1,878,715	\$ 3,590,624
Loss of idle capacity	70,340	26,041
Loss on devaluation	9,501	1,393
Income from sale of scraps	<u>(10,550)</u>	<u>(22,618)</u>
	<u>\$ 1,948,006</u>	<u>\$ 3,595,440</u>

(VI) Financial assets at FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Listed company stock	\$ 171,100	\$ 114,218
Non-listed, OTC, or emerging stocks	<u>20,032</u>	<u>-</u>
	191,132	114,218
Adjustment of evaluation	<u>(50,200)</u>	<u>25,407</u>
	<u>\$ 140,932</u>	<u>\$ 139,625</u>

1. The Company chose to classify the equity instrument investment that is a strategic investment into financial assets measured at fair value through other comprehensive income. The fair value of these investments as of December 31, 2022 and 2021 were NT\$140,932 and NT\$139,625, respectively.
2. The Company sold its investment in equity instruments with a fair value of NT\$184,245 in 2021 due to the business planning of the Company, and the accumulated disposal gains were NT\$104,245.
3. The details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	<u>(\$ 75,607)</u>	<u>\$ 59,244</u>
De-recognition of accumulated gains transferred to retained earnings	<u>\$ -</u>	<u>\$ 104,245</u>
Dividend income recognized in profit or loss held at the end of the period	<u>\$ 3,075</u>	<u>\$ 219</u>

4. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note XII (II).

(VII) Investment under equity method

1. Statement of changes and details are as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 71,211	\$ 116,000
Increase in investment under equity method	42,000	-
Disposal of investment under equity method	(4,577)	(29,766)
Share of investment income accounted for using equity method	(1,579)	(8,580)
Additional paid-in capital - not based on changes to shareholding percentage	1,042	(295)
Other changes in equity	<u>5,361</u>	<u>(6,148)</u>
December 31	<u>\$ 113,458</u>	<u>\$ 71,211</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Advanced Optoelectronic Technology Holding Ltd. (Advanced)	\$ 74,584	\$ 65,959
Asphetek Solution Inc. (Asphetek)	38,874	-
Affiliated companies:		
ELUX, Inc. (ELUX)	24,953	24,953
An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd. (An Qing Xin Kairong)	-	5,252
Accumulated impairment	<u>(24,953)</u>	<u>(24,953)</u>
	<u>\$ 113,458</u>	<u>\$ 71,211</u>

- (1) The Company participated in the capital increase in cash of ELUX, Inc. for NT\$60,920 on July 26, 2018 to acquire 25% of equity, and participated in capital increase in cash for NT\$30,268 on March 1, 2020 for 32% of equity in total; the net equity value of the investment increased/decrease due to failure to subscribe new shares according to the ownership percentage, resulting in an increase/decrease in the net equity value of the investment, and thus a decrease in the retained earnings by NT\$18,344. In addition, ELUX, Inc. issued new shares in cash for capital increase in April 2020, the Company's shareholding declined from 32% to 27.87% resulted from the Company's non-participation in the capitalization. The failure to subscribe for new shares proportional to the ownership, resulting in the increase or decrease in the net value of the invested equity, increased the capital reserve by NT\$10,976. In addition, Elux, Inc.'s shareholding ratio decreased from 27.87% to 25.94% in January 2021 due to the exercising of employee share subscription warrant. This has resulted in an increase or decrease in the net equity value of the investment, and a reduction of NT\$295 to the additional paid-in capital.
- (2) The Company's subsidiary, ZHAN JING Technology (Shen ZHEN) Co., Ltd. participated in the capital increase in cash of Guangdong Kai Chuang Display Technology Co., Ltd. for \$879 on February 4, 2021 and acquired a 20% equity.
- (3) Due to the poor operation of ELUX, Inc., the value of investment had indeed been impaired, so the Company recognized impairment loss of \$24,953 in 2019.

- (4) The Company's subsidiary Asphetek Solution Inc. was incorporated in July 2022. The Company invested \$24,000 in cash in stock to acquire an 80% shareholding. The Company participated in the capital increase by cash of \$18,000 of Asphetek in November 2022. The Company did not subscribe according to the shareholding ratio, resulting in the decrease of the shareholding ratio from 80% to 60%, resulting in an increase or decrease in the net equity value of the investment, and an additional capital reserve of NT\$1,042.
- (5) The Company disposed of the equity of the Company's affiliated enterprise, An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd., in December 2022. The shareholding ratio was reduced from 20% to 0%. The disposal consideration was NT\$5,089.

2. The share of profit or loss on the subsidiaries and affiliated companies under the equity method:

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
Advanced	\$ 3,411	\$ 3,531
Glorylux	-	(46)
Asphetek Solution	(4,168)	-
Affiliated companies:		
ELUX	-	(14,128)
An Qing Xin Kairong	<u>(822)</u>	<u>2,063</u>
	<u>(\$ 1,579)</u>	<u>(\$ 8,580)</u>

3. Subsidiaries

For information on the subsidiaries of the Company, refer to Note 4 (3) of the Company's consolidated financial statements 2022.

4. Affiliated companies

3. The book value and operating result share of the Company's individual non-material affiliates are summarized as follows:

As of December 31, 2022 and 2021, the book values of the individual non-material associates of the Company amounted to NT\$0 and NT\$5,252, respectively.

	<u>2022</u>	<u>2021</u>
Current net loss	(\$ 822)	(\$ 12,065)
Other comprehensive income (net amount after tax)	<u>148</u>	<u>445</u>
Total comprehensive income (loss)	<u>(\$ 674)</u>	<u>(\$ 11,620)</u>

(VIII) Property, plant, and equipment

	<u>2022</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,716	\$ 72,750	\$ 246,122	\$ 48,202	\$ 3,258,548
Accumulated depreciation and impairment	<u>-</u>	<u>(368,259)</u>	<u>(1,712,701)</u>	<u>(52,882)</u>	<u>(217,617)</u>	<u>-</u>	<u>(2,351,459)</u>
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,015</u>	<u>\$ 19,868</u>	<u>\$ 28,505</u>	<u>\$ 48,202</u>	<u>\$ 907,089</u>
January 1	\$ 160,357	\$ 398,142	\$ 252,015	\$ 19,868	\$ 28,505	\$ 48,202	\$ 907,089
Increase	-	-	-	-	-	85,366	85,366
Disposal	-	-	(535)	-	-	-	(535)
Reclassification	-	23,687	73,841	198	10,311	(109,194)	(1,157)
Depreciation expenses	-	(50,512)	(95,295)	(6,611)	(24,896)	-	(177,314)
Impairment loss	-	-	(6,197)	-	-	-	(6,197)
December 31	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 223,829</u>	<u>\$ 13,455</u>	<u>\$ 13,920</u>	<u>\$ 24,374</u>	<u>\$ 807,252</u>
December 31							
Cost	\$ 160,357	\$ 790,088	\$ 1,905,166	\$ 71,682	\$ 253,802	\$ 24,374	\$ 3,205,469
Accumulated depreciation and impairment	<u>-</u>	<u>(418,771)</u>	<u>(1,681,337)</u>	<u>(58,227)</u>	<u>(239,882)</u>	<u>-</u>	<u>(2,398,217)</u>
	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 223,829</u>	<u>\$ 13,455</u>	<u>\$ 13,920</u>	<u>\$ 24,374</u>	<u>\$ 807,252</u>

	<u>2021</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 756,025	\$ 2,014,410	\$ 65,588	\$ 265,020	\$ 87,015	\$ 3,348,415
Accumulated depreciation and impairment	- (317,753)	(1,736,864)	(45,023)	(242,129)	-	(2,341,769)	
	<u>\$ 160,357</u>	<u>\$ 438,272</u>	<u>\$ 277,546</u>	<u>\$ 20,565</u>	<u>\$ 22,891</u>	<u>\$ 87,015</u>	<u>\$ 1,006,646</u>
January 1	\$ 160,357	\$ 438,272	\$ 277,546	\$ 20,565	\$ 22,891	\$ 87,015	\$ 1,006,646
Increase	-	-	-	-	-	100,481	100,481
Reclassification	-	10,376	80,935	7,200	29,541	(139,294)	(11,242)
Depreciation expenses	- (50,506)	(106,466)	(7,897)	(23,927)	-	(188,796)	
December 31	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,015</u>	<u>\$ 19,868</u>	<u>\$ 28,505</u>	<u>\$ 48,202</u>	<u>\$ 907,089</u>
December 31							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,716	\$ 72,750	\$ 246,122	\$ 48,202	\$ 3,258,548
Accumulated depreciation and impairment	- (368,259)	(1,712,701)	(52,882)	(217,617)	-	(2,351,459)	
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,015</u>	<u>\$ 19,868</u>	<u>\$ 28,505</u>	<u>\$ 48,202</u>	<u>\$ 907,089</u>

1. The properties, plants, and equipment referred to above are assets held for own use.
2. The Company did not pledge any property, plant and equipment or capitalize the interest thereof.
3. Please refer to Note VI (XI) for the status of impairment of property, plant and equipment.

(IX) Lease transaction - Lessee

1. The underlying assets of the Company include land and equipment. The lease contract is usually for a period of 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.
2. The machinery and equipment leased by the Company with the lease period not exceeding 12 months and the target assets leased of low value are machinery and equipment and are not included in the right-of-use assets.
3. The information about the book value of the right-of-use assets and the recognized depreciation expenses is as follows:

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	<u>\$ 3,160</u>	<u>(\$ 702)</u>	<u>\$ 2,458</u>
	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	<u>\$ 2,121</u>	<u>(\$ 1,768)</u>	<u>\$ 353</u>
	<u>2022</u>		<u>2021</u>
	<u>Depreciation expenses</u>		<u>Depreciation expenses</u>
Land	<u>\$ 1,056</u>		<u>\$ 1,061</u>

4. The increase in the Company's right-of-use assets in 2022 and 2021 were NT\$3,161 and NT\$0, respectively.
5. The information on profit and loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	\$ 47	\$ 25
Expenses of short-term lease contracts	877	904
Expenses of low-value asset lease	416	638

6. The total cash outflow from the leases of the Company in 2022 and 2021 amounted to NT\$2,385 and NT\$2,657, respectively.

(X) Intangible assets

	<u>2022</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ 107,611	\$ 69,745	\$ 177,356
Accumulated amortization	<u>(87,423)</u>	<u>(55,775)</u>	<u>(143,198)</u>
	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>

January 1	\$	20,188	\$	13,970	\$	34,158
Reclassification		-		1,157		1,157
Amortized expenses	(	<u>20,188</u>)	(	<u>6,140</u>)	(	<u>26,328</u>)
December 31	\$	<u>-</u>	\$	<u>8,987</u>	\$	<u>8,987</u>
December 31						
Cost	\$	-	\$	70,902	\$	70,902
Accumulated amortization		<u>-</u>		<u>(61,915)</u>		<u>(61,915)</u>
	\$	<u>-</u>	\$	<u>8,987</u>	\$	<u>8,987</u>

		<u>2021</u>				
		<u>Royalties</u>		<u>Computer software</u>		<u>Total</u>
January 1						
Cost	\$	107,611	\$	58,503	\$	166,114
Accumulated amortization	(	<u>67,234</u>)	(	<u>49,840</u>)	(	<u>117,074</u>)
	\$	<u>40,377</u>	\$	<u>8,663</u>	\$	<u>49,040</u>

January 1	\$	40,377	\$	8,663	\$	49,040
Reclassification		-		11,242		11,242
Amortized expenses	(	<u>20,189</u>)	(	<u>5,935</u>)	(	<u>26,124</u>)
December 31	\$	<u>20,188</u>	\$	<u>13,970</u>	\$	<u>34,158</u>
December 31						
Cost	\$	107,611	\$	69,745	\$	177,356
Accumulated amortization	(	<u>87,423</u>)	(	<u>55,775</u>)	(	<u>143,198</u>)
	\$	<u>20,188</u>	\$	<u>13,970</u>	\$	<u>34,158</u>

The details of amortization of intangible assets are as follows:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 407	\$ 310
Sales and marketing expenses	20,188	20,189
Administrative expenses	4,900	4,931
R&D expenses	<u>833</u>	<u>694</u>
	<u>\$ 26,328</u>	<u>\$ 26,124</u>

(XI) Impairment of non-financial assets

The total amount of impairment loss recognized by the Company in 2022 was NT\$6,197 and the details are as follows:

	<u>2022</u>	
	<u>Recognized in current profit and loss</u>	<u>Recognized in other comprehensive income</u>
Impairment loss - machinery and equipment	(\$ <u>6,197</u>)	<u>\$ -</u>

(XII) Short-term borrowings

<u>Nature of the loan</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Borrowings from banks			
Credit loans	<u>\$ 52,003</u>	0.60%	-

1. This did not happen on December 31, 2022.
2. The interest expenses recognized in profit and loss in 2022 and 2021 were NT\$129 and NT\$2,014, respectively.

(XIII) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payable	\$ 93,376	\$ 122,372
Premiums payable	8,513	39,720
Payables for equipment	21,758	27,276
Payable outsourcing fees	11,950	22,940
Labor and health insurance and pension payable	16,982	18,468
Payable commission	7,328	12,587
Others	<u>43,369</u>	<u>54,629</u>
	<u>\$ 203,276</u>	<u>\$ 297,992</u>

(XIV) Long-term notes and payables

<u>December 31, 2022</u>	<u>December 31, 2021</u>
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Premiums payable	\$	-	\$	16,608
Less: Due within one year		<u>-</u>	(<u>16,608)</u>
	\$	<u>-</u>	\$	<u>-</u>

The Company signed a phosphor powder licensing agreement with a foreign manufacturer in 2017. The contract term is 5.5 years. According to the contract, the Company is required to pay a certain percentage of the sales value and the royalty amounted to the sales volume in each year.

(XV) Pension fund

1.(1) The Company has established the retirement policy with defined welfare in accordance with the "Labor Standards Act", which is applicable to the years of service of all regular employees before the "Labor Pension Act" went into effect on July 1, 2005; and the years of service of employees who elect to continue applying the Labor Standards Act after the implementation of the "Labor Pension Act." If an employee is eligible for retirement, the pension payment is based on the service years and the average salary of 6 months prior to retirement. Two base figures are given for each full year of service within 15 years, and one base figure will be granted after completing one year, but the cumulative maximum shall be limited to 45 base figures. The Company appropriates 2% of the total salary on a monthly basis to the pension fund, which is deposited with the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, the Company estimates the balance of the aforementioned special accounts for labor pension before the end of each year. If the balance is not sufficient to pay the amount of pension benefits to employees eligible for retirement in the following year, the Company will make a lump-sum appropriation for the difference by the end of March of the following year.

(2) The Company agreed with employees to settle all defined benefit retirement liabilities in October 2022, settled the old system tenure and re-actuarial valuation, recognized related gain or loss on settlement and net re-measurement of defined benefit assets.

(3) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ -	(\$ 19,972)
Fair value of planned assets	<u>20,757</u>	<u>32,299</u>
Net defined benefit assets	<u>\$ 20,757</u>	<u>\$ 12,327</u>

(4) Changes in net defined benefit assets are as follows:

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit assets</u>
January 1	(\$ 19,972)	\$ 32,299	\$ 12,327
Interest (expense) income	(139)	226	87
Gains or losses on settlement	<u>2,021</u>	<u>-</u>	<u>2,021</u>
	<u>(18,090)</u>	<u>32,525</u>	<u>14,435</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	2,391	2,391
Adjustment of experience	<u>3,092</u>	<u>-</u>	<u>3,092</u>
	<u>3,092</u>	<u>2,391</u>	<u>5,483</u>

Appropriation of pension fund	-	839	839
Payment of pension	<u>14,998</u>	<u>(14,998)</u>	<u>-</u>
December 31	<u>\$ -</u>	<u>\$ 20,757</u>	<u>\$ 20,757</u>

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit assets</u>
January 1	(\$ 21,817)	\$ 30,686	\$ 8,869
Interest (expense) income	<u>(87)</u>	<u>123</u>	<u>36</u>
	<u>(21,904)</u>	<u>30,809</u>	<u>8,905</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	445	445
Effect of changes in population assumption	(22)	-	(22)
Effect of changes in financial assumptions	769	-	769
Adjustment of experience	<u>1,185</u>	<u>-</u>	<u>1,185</u>
	<u>1,932</u>	<u>445</u>	<u>2,377</u>
Appropriation of pension fund	<u>-</u>	<u>1,045</u>	<u>1,045</u>
December 31	<u>(\$ 19,972)</u>	<u>\$ 32,299</u>	<u>\$ 12,327</u>

- (5) The assets of the Company's defined benefit pension plan are invested by the Bank of Taiwan according to the fund's annual investment and utilization plan and within the scope of the ratio and amount of money, and are approved pursuant to Article 6 of the "Regulations Governing the Revenues, Expenditures, Custodianship and Utilization of Labor Pension Funds" (i.e. deposit in domestic and foreign financial institutions, investment in domestic and foreign listed, over-the-counter, or privately placed equity securities, and investment in domestic and foreign real estate securitization products), the related utilization is supervised by the Labor Pension Fund Supervisory Committee. In using the Fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are deficiencies, the national treasury shall make up the difference after approval by the competent authority. As the Company was not entitled to participate in the operation and management of the fund, it was impossible for the Company to disclose the classification of the fair value of the planned assets in accordance with IAS 19 and paragraph 142. The fair value comprising the total assets of the fund as of December 31, 2022 and 2021, is stated in the labor pension fund utilization report announced by the government for the respective years.
- (6) The actuarial hypotheses about pension fund are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>0%</u>	<u>0.70%</u>
Increase in salary in the future	<u>0%</u>	<u>3.50%</u>

The assumption of future mortality was estimated in accordance with the sixth round of Taiwan life

insurance industry's empirical life table.

The analysis of the impact on the present value of the defined benefit obligation due to the change of the main actuarial assumptions is as follows:

	<u>Discount rate</u>		<u>Increase in salary in the future</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
Effect on the present value of defined benefit obligation	\$ -	\$ -	\$ -	\$ -
December 31, 2021				
Effect on the present value of defined benefit obligation	\$ 596	(\$ 620)	(\$ 552)	\$ 535

The sensitivity analysis referred to above is based on the analysis of the effect of a change in a single assumption under the circumstance that other assumptions remain unchanged. In practice, changes in many assumptions may be linked. The analysis of sensitivity adopted the same method used to calculate the net pension liability on the balance sheet.

The methods and hypotheses used by the sensitivity analysis prepared in the current period are the same as those used in the previous period.

(7) The Company expects to contribute NT\$0 to the pension plan in 2023.

(8) As of December 31, 2022, the weighted average duration of the pension plan was 0 year.

2. (1) Since July 1, 2005, the Company has established the regulation for defined contribution plan in accordance with the "Labor Pension Act", which is applicable to employees of Taiwan nationality. For employees choosing the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the personal accounts of the employees with the Labor Insurance Bureau. The pension is paid according to the individual pensions of the employees. The amount of accumulated income and accumulated income is withdrawn as monthly pension or lump sum.

(2) In 2022 and 2021, the Company recognized pension cost amounting to \$24,322 and \$27,722, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XVI) Share capital

1. As of December 31, 2022, the Company's rated capital was NT\$2,400,000 and the paid-in capital was NT\$1,445,480 with a par value of NT\$10 per share. All issues paid for the Company's shares have been received.

2. The outstanding common stock (in thousands) at the beginning and end of the term is adjusted as follows:

	<u>2022</u>	<u>2021</u>
January 1 (i.e. December 31)	<u>144,548</u>	<u>144,548</u>

(XVII) Capital Surplus

Pursuant to the Company Act, the premium from the issuance of shares above par value and the additional paid-in capital from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated losses, new shares or cash are issued to shareholders in proportion to their existing shares. In addition, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above shall not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, if the Company has earnings concluded each year, after paying taxes, the losses from previous years shall first be offset and then 10% of the remaining earnings shall be appropriated as legal reserves. The Company also makes provision or reversal of special reserve, if any, along with the accumulated undistributed earnings of the previous year in accordance with Article 41 of the Securities and Exchange Act.
2. The Company determines its future development and growth stage; establishes a sound financial structure; and protects the rights and interests of shareholders. The dividend distribution policy adopts cash and share method. The share dividend accounts for not more than half of all dividends in principle. The above ratio is adjusted according to the circumstances.
3. The legal reserve cannot be used for purposes other than to cover the accumulated losses of the company and for issuance of new shares or cash to shareholders in proportion of their original shareholding percentage, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal may be included in the earnings available for distribution.
5. The Company's shareholders' meeting on June 29, 2022 resolved the 2021 profit distribution proposal as follows:

	<u>2021</u>		
	<u>Amount</u>		<u>Dividend per share (NTD)</u>
Legal reserves	\$	19,446	
Cash dividends		65,047	\$ 0.45

6. The Company passed the motion for offsetting deficits in 2020 at the shareholders' meeting on July 20, 2021. NT\$45,825 of the special reserve was reversed and NT\$18,617 was made up for the losses with legal reserve.

(XIX) Operating revenue

	<u>2022</u>		<u>2021</u>
Revenue from customer contracts	\$ 2,186,918		\$ 4,159,857

1. Breakdown of revenue from contracts with customers

The income of the Company comes from the transfer of goods at a certain point in time. The income can be subdivided into the following geographical regions:

	<u>2022</u>		<u>2021</u>
Revenue from contracts with external customers			
China	\$ 1,666,212		\$ 3,464,672
Taiwan	131,747		199,234
Hong Kong	108,746		164,334
Vietnam	129,728		126,201
USA	78,852		94,718
South Korea	34,638		61,509
Others	36,995		49,189
	<u>\$ 2,186,918</u>		<u>\$ 4,159,857</u>

2. Contract liabilities

The contractual liabilities related to the contractual income recognized by the Company are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Sales contract	<u>\$ 112</u>	<u>\$ 63</u>	<u>\$ 994</u>

(XX) Other income

	<u>2022</u>		<u>2021</u>
Income from government subsidies	\$ 34		\$ 8,104
Rent income	1,771		1,618
Dividend income	3,075		219
Other income	7,211		18,963
	<u>\$ 12,091</u>		<u>\$ 28,904</u>

(XXI) Other gains and losses

	<u>2022</u>		<u>2021</u>
Gain on foreign currency exchange	\$ 27,449		\$ 13,612

Gains (losses) from the disposal of property, plant and equipment	(	461)		6,685
Gains on disposal of investment accounted for using equity method		636		-
Losses on financial assets and liabilities at FVTPL	(	16,879)	(	720)
Impairment losses of property, plant and equipment	(	6,197)		-
	\$	<u>4,548</u>	\$	<u>19,577</u>

(XXII) Financial cost

	<u>2022</u>	<u>2021</u>
Interest expense:		
Borrowings from banks	\$ 129	\$ 2,014
Lease liabilities	47	25
Others	<u>3,057</u>	<u>834</u>
	\$ <u>3,233</u>	\$ <u>2,873</u>

(XXIII) Employee benefits, depreciation and amortization expenses

	<u>2022</u>	<u>Attributable to operating cost</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefit expenses				
Salary expenses	\$ 353,231	\$ 159,504		\$ 512,735
Labor and national health insurance expenses	38,157	14,627		52,784
Pension expense	16,202	6,012		22,214
Remuneration to Directors	-	1,792		1,792
Other employee benefit expenses	36,001	9,198		45,199
Depreciation expenses	149,905	28,465		178,370
Amortized expenses	407	25,921		26,328

	<u>2021</u>	<u>Attributable to operating cost</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefit expenses				
Salary expenses	\$ 422,008	\$ 171,735	\$	593,743
Labor and national health insurance expenses	44,493	15,180		59,673
Pension expense	19,330	8,356		27,686
Remuneration to Directors	-	1,526		1,526

Other employee benefit expenses	41,411	9,980	51,391
Depreciation expenses	162,980	26,877	189,857
Amortized expenses	310	25,814	26,124

- The Company had 856 and 910 employees in 2022 and 2021, respectively, including 6 and 5 directors who did not serve as employees concurrently, respectively.
- The Company's shares are listed on the Taiwan Stock Exchange. Therefore, the following information is added:
 - The average employee benefit expenses in 2022 and 2021 were NT\$745 and NT\$809, respectively.
 - The average employee salary expenses in 2022 and 2021 were NT\$604 and NT\$656, respectively.
 - The average employee salary expense adjustment was 8%.
 - The Company has already appointed an Audit Committee and therefore it is not applicable on supervisors, and therefore there is no need to disclose the information about remuneration to supervisors.
 - The salary and remuneration policy of the Company is stated as follows:
 - The remuneration to directors is determined in accordance with the Company's Articles of Incorporation approved by the shareholders' meeting. The Board of Directors is authorized to determine the remuneration in accordance with the director's participation in the Company's operations and the value of contribution, and by taking into consideration the general standards in the industry.
 - Remuneration to managers is determined based on the general level of payment in the industry, individual performance, the Company's operating performance, and the rationality of its future operation and development.
 - Employees' salaries are approved and classified in accordance with the Company's "Personnel Selection and Appointment Regulations and Salary Management Regulations" and are based on employees' educational backgrounds, professional experiences, and job functions. After onboard, adjustments to the salary is made with reference to socioeconomic indicators, industry practice on salary adjustments, company performance and individual performance.
- According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, it shall allocate no less than 5% as the remuneration to employees and no more than 0.1% as the remuneration to directors. When the company has accumulated losses, it shall set aside amount to cover the losses first.
- The Company did not record the net loss after tax for 2022, so remuneration to employees and directors was not recognized.
- As resolved by the board of directors, the company's remuneration to employees of NT\$5,700 and remuneration to directors of NT\$100 in 2021 and the remuneration to employees of \$5,346 and to directors of NT\$107 in 2021 recognized in the financial report of 2021 differed by an underestimation of NT\$347. The difference was deemed as a change in accounting estimate and adjusted in the profit or loss of 2022. Employees' remuneration for 2021 was paid in cash.

Information on the employees' and directors' remuneration approved by the Company's Board of Directors is available on the Market Observation Post System.

(XXIV) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Income tax for the current period:		
Income tax arising from current income	\$ -	\$ 12,449
Overestimated estimated amount of income tax in previous years	-	(221)
Total income tax for the current period	-	12,228

Deferred income tax:		
Original occurrence and reversal of temporary difference	<u>107</u>	<u>6,374</u>
Income tax expenses	<u>\$ 107</u>	<u>\$ 18,602</u>

(2) Income tax related to other comprehensive income:

	<u>2022</u>	<u>2021</u>
Re-measurement of defined benefit obligation	<u>\$ 1,097</u>	<u>\$ 475</u>

2. Relationship between income tax expenses and accounting profit:

	<u>2022</u>	<u>2021</u>
Income tax calculated at statutory rate for net (loss) profit	(\$ 28,219)	\$ 21,383
Income tax effect under minimum tax system	-	12,449
Income tax effect of items adjusted in accordance with the tax law	6,938	240
Changes in realizable assessment of deferred income tax assets	21,388	(15,249)
Overestimated estimated amount of income tax in previous years	<u>-</u>	<u>(221)</u>
Income tax expenses	<u>\$ 107</u>	<u>\$ 18,602</u>

3. The amounts of deferred income tax assets or liabilities arising from the temporary difference and taxation loss are as follows:

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 1,614	(\$ 829)	\$ -	\$ 785
Inventory devaluation losses	16,332	1,732	-	18,064
Allowance for loss beyond threshold	3,040	454	-	3,494
Cost of goods sold to be replaced	52	(6)	-	46
Unrealized exchange losses	-	318	-	318
	366	(366)	-	-
Valuation loss on unrealized financial assets and liabilities				
Income from government subsidies	1,174	(469)	-	705
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	10,999	1,069	-	12,068

Bonus payable for unused leave of absence	4,766	(886)	-	3,880
Premiums payable	1,018	(1,018)	-	-
Set off of losses	<u>36,549</u>	<u>(74)</u>	<u>-</u>	<u>36,475</u>
	<u>80,900</u>	<u>(75)</u>	<u>-</u>	<u>80,825</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(1,010)	1,010	-	-
	-	(453)	-	(453)
Unrealized gains on valuation of financial assets and liabilities				
Defined benefit obligation	<u>(2,465)</u>	<u>(589)</u>	<u>(1,097)</u>	<u>(4,151)</u>
	<u>(3,475)</u>	<u>(32)</u>	<u>(1,097)</u>	<u>(4,604)</u>
	<u>\$ 77,425</u>	<u>(\$ 107)</u>	<u>(\$ 1,097)</u>	<u>\$ 76,221</u>

2021

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 401	\$ 1,213	\$ -	\$ 1,614
Inventory devaluation losses	16,910	(578)	-	16,332
Allowance for loss beyond threshold	2,846	194	-	3,040
Cost of goods sold to be replaced	29	23	-	52
	1,324	(958)	-	366
Valuation loss on unrealized financial assets and liabilities				
Income from government subsidies	-	1,174	-	1,174
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	12,026	(1,027)	-	10,999
Bonus payable for unused leave of absence	4,998	(232)	-	4,766
Premiums payable	2,035	(1,017)	-	1,018
Set off of losses	<u>44,221</u>	<u>(7,672)</u>	<u>-</u>	<u>36,549</u>
	<u>89,780</u>	<u>(8,880)</u>	<u>-</u>	<u>80,900</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(3,732)	2,722	-	(1,010)
Defined benefit obligation	<u>(1,774)</u>	<u>(216)</u>	<u>(475)</u>	<u>(2,465)</u>
	<u>(5,506)</u>	<u>2,506</u>	<u>(475)</u>	<u>(3,475)</u>
	<u>\$ 84,274</u>	<u>(\$ 6,374)</u>	<u>(\$ 475)</u>	<u>\$ 77,425</u>

4. The effective term of the Company's unused taxation losses and the relevant amount of unrecognized deferred income tax assets are as follows:

December 31, 2022

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 222,996	\$ 222,996	\$ 222,996	2028
2019	205,350	205,350	205,350	2029
2020	161,644	161,644	118,781	2030
2022	<u>139,513</u>	<u>139,513</u>	<u>-</u>	2032
	<u>\$ 729,503</u>	<u>\$ 729,503</u>	<u>\$ 547,127</u>	

December 31, 2021

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 347,147	\$ 238,225	\$ 238,225	2028
2019	209,042	209,042	188,184	2029
2020	<u>161,889</u>	<u>161,889</u>	<u>-</u>	2030
	<u>\$ 718,078</u>	<u>\$ 609,156</u>	<u>\$ 426,409</u>	

5. Deductible temporary differences of unrecognized deferred income tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	<u>\$ 236,255</u>	<u>\$ 211,802</u>

6. The tax collection authority has approved the Company's income tax for profit-seeking businesses up to 2020.

(XXV) Earnings per share (Loss)

	<u>2022</u>		<u>Loss per share (NTD)</u>
	<u>Amount after tax</u>	<u>Weighted average outstanding shares (thousand shares)</u>	
<u>Basic loss per share</u>			
Current net loss	<u>(\$ 141,204)</u>	<u>144,548</u>	<u>(\$ 0.98)</u>

2021

	<u>Amount after tax</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net income for the period	\$ 88,311	144,548	\$ 0.61
<u>Diluted earnings per share</u>			
Net income for the period	\$ 88,311	144,548	
Effect of potential dilutive ordinary shares			
Remuneration to employees	-	181	
Net income for the period plus the effect of potential common shares	\$ 88,311	144,729	\$ 0.61

(XXVI) Supplementary information on cash flow

Investment activities with partial cash payment:

	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 85,366	\$ 100,481
Add: Payables for equipment, beginning	27,276	39,452
Less: Payables for equipment, ending	(21,758)	(27,276)
Cash paid in current period	\$ 90,884	\$ 112,657
	<u>2022</u>	<u>2021</u>
Acquisition of intangible assets	\$ -	\$ -
Add: Premium payable, beginning	16,608	17,088
Long-term notes and accounts payable, beginning	-	17,088
Less: royalty payable, ending	-	(16,608)
Long-term notes and accounts payable, ending	-	-
Cash paid in current period	\$ 16,608	\$ 17,568

(XXVII) Changes in liabilities from financing activities

	<u>2022</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 52,003	\$ 361	\$ 52,364
Net decrease in short-term borrowings	(52,003)	-	(52,003)
Repayment of lease principal	-	(1,045)	(1,045)
Other non-cash changes	-	3,161	3,161

December 31	<u>\$ -</u>	<u>\$ 2,477</u>	<u>\$ 2,477</u>
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	<u>2021</u>			
	<u>Short-term</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing</u>	
	<u>borrowings</u>		<u>activities</u>	
January 1	\$ 439,452	\$ 1,426	\$	440,878
Net decrease in short-term borrowings	(387,449)	-	(	387,449)
Repayment of lease principal	-	(1,090)	(	1,090)
Other non-cash changes	<u>-</u>	<u>25</u>		<u>25</u>
December 31	<u>\$ 52,003</u>	<u>\$ 361</u>	<u>\$</u>	<u>52,364</u>

VII. Related party transactions

(I) Related party's name and relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
ZHAN JING Technology (Shen ZHEN) Co., Ltd. (Zhan Jing)	Subsidiary of the Company
Asphetek Solution Inc. (Asphetek)	"
HON HAI PRECISION IND. CO., LTD.	Entities with significant influence on the Company (Investment company with the Company evaluated under the equity method)
Hong Fu Tai Precision Electronics (Yantai) Co., Ltd. (Hong Fu Tai Yantai)	Entities with significant influence on the Company (Consolidated entity of an investment company that evaluates the Company under the equity method)
Kunshan Fu Cheng Ke Precision Electronics Co., Ltd. (Kunshan Fu Cheng Ke)	"
Sharp Corporation (Sharp)	Other related party (same major shareholders)
Sharp Hong Kong Limited. (SHK)	"
Sharp Manufacturing Corporation (M) Sdn. Bhd. (SMM)	"
Epileds Technologies, Inc. (Epileds Technologies)	Other related party (The chairman of the Company is a director of the company)
SDP Global (China) Co.,Ltd. (SDP Global)	Other related party (investment companies with significant influence on the Company and adopting the equity method to evaluate)
ELUX, Inc.	Affiliated companies - investee company evaluated by the Company under the equity method

(II) Significant transactions with related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales of goods:		
—Entities with significant influence on the Company		
Hon Hai	\$ 263,114	\$ 293,651
—Subsidiaries		
Zhan Jing	326,949	574,418
—Other related party	<u>91,814</u>	<u>139,280</u>
	<u>\$ 681,877</u>	<u>\$ 1,007,349</u>

The price of the Company's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties; the payment term to the related parties is 90~ 120 days; for general customers, 30~120 days after settlement of the current month.

2. Purchase stock

	<u>2022</u>	<u>2021</u>
Purchase of goods:		
—Entities with significant influence on the Company	\$ 9,634	\$ 13,867
—Subsidiaries	102,004	104,982
—Other related party	<u>14,669</u>	<u>52,141</u>
	<u>\$ 126,307</u>	<u>\$ 170,990</u>

Except for the fact that there is no similar transaction to follow, the terms of the transaction are determined by both parties through negotiation. For the rest, the Company bills the purchase to the related party at the prevailing price; the terms of payment to the related party, except for some materials, is payment at sight, and the rest are purchase within 90 to 120 days after settlement of the current month, or within 30 to 120 days after settlement of the current month for suppliers.

3. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
—Entities with significant influence on the Company		
Hon Hai	\$ 67,138	\$ 110,250
—Subsidiaries		
Zhan Jing	173,105	365,171
—Other related party	<u>8,820</u>	<u>142,106</u>
	249,063	617,527
Less: Allowance for losses	<u>(574)</u>	<u>(2,677)</u>
	<u>\$ 248,489</u>	<u>\$ 614,850</u>

Other receivables:		
—Subsidiaries	\$ 259	\$ 4
—Other related party	<u>194</u>	<u>74</u>
	<u>\$ 453</u>	<u>\$ 78</u>

4. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
—Entities with significant influence on the Company	\$ 1,108	\$ 2,259
—Subsidiaries		
Zhan Jing	37,223	78,348
—Other related party	<u>3,148</u>	<u>18,631</u>
	<u>\$ 41,479</u>	<u>\$ 99,238</u>
Other payable:		
—Subsidiaries	\$ -	\$ 5,709
—Other related party	<u>1,211</u>	<u>246</u>
	<u>\$ 1,211</u>	<u>\$ 5,955</u>

5. Property transactions

(1) Disposal of property, plant, and equipment

	<u>2022</u>	
	<u>Disposal of proceeds</u>	<u>Disposal of (losses) profits</u>
Subsidiary	<u>\$ 23</u>	<u>\$ 23</u>

(2) Acquisition of financial assets

	<u>Items in the account</u>	<u>Quantity of shares traded</u> <u>(thousand shares)</u>	<u>Subject of the</u> <u>transaction</u>	<u>2022</u> <u>Proceeds</u> <u>received</u>
Subsidiary				
—Asphetek Investment under Solution equity method		4,200	Shares	<u>\$ 42,000</u>

6. Research expenses (listed as "research expenses")

	<u>2022</u>	<u>2021</u>
Other related party	<u>\$ 1,154</u>	<u>\$ -</u>

7. Commission expenses (stated as "sales and marketing expenses")

<u>2022</u>	<u>2021</u>
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Subsidiary		
– Zhan Jing	\$	5,231
	-	-

8. Rent income

	<u>2022</u>	<u>2021</u>
Affiliated companies	\$ 795	\$ 771
Other related party	840	840
	<u>\$ 1,635</u>	<u>\$ 1,611</u>

The Company rents some offices, machinery and equipment for use by affiliates and other related parties. The rent is negotiated and collected on a monthly basis as agreed by both parties.

9. Other income

	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 145	\$ -

(III) Remuneration to the management

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	\$ 8,958	\$ 11,726
Benefits after retirement	108	108
	<u>\$ 9,066</u>	<u>\$ 11,834</u>

VIII. Pledged assets

None.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingencies

None.

(II) Commitments

1. Capital expenditure contracted but not incurred

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant, and equipment	\$ 9,126	\$ 33,511

2. In order to respond to future business and market changes, the Company signed a LED patent licensing contract with Cree Inc. in December 2019. The contract term is 3 years, and the Company will pay a certain percentage of the royalty based on the sales value. Both parties failed to give written notice to the other party to terminate the contract 6 months prior to the expiry date, and the contract was automatically renewed for another 2 years.

3. The Company signed a phosphor powder licensing contract with a foreign manufacturer in December 2022.

According to the agreement, the Company shall pay a certain percentage of the sales amount each year during the contract period as royalty and the royalty when the sales quantity reaches the target.

X. Significant losses from disasters

None.

XI. Materiality after the period

None.

XII. Others

(I) Capital management

The Company's capital management objective is to ensure the Company's sustainable operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders.

(II) Financial instruments

1. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 3,980</u>	<u>\$ 2,073</u>
Financial assets at FVTOCI		
Investment in selected equity instruments	<u>\$ 140,932</u>	<u>\$ 139,625</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,215,940	\$ 1,292,823
Accounts receivable	242,191	606,217
Accounts receivable - related parties	248,489	614,850
Other receivables	<u>28,217</u>	<u>49,198</u>
	<u>\$ 1,734,837</u>	<u>\$ 2,563,088</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	<u>\$ 1,714</u>	<u>\$ 3,905</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ -	\$ 52,003
Accounts payable	248,965	798,396
Accounts payable - related parties	41,479	99,238
Other payables	203,276	297,992
Other payables - related parties	1,211	5,955
	<u>\$ 494,931</u>	<u>\$ 1,253,584</u>
Lease liabilities	<u>\$ 2,477</u>	<u>\$ 361</u>

2. Risk management policies

- (1) The daily operations of the Company are affected by multiple financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse effect on the Company's financial performance resulting from uncertainty, the Company enters into forward exchange contracts and foreign exchange swaps contract to avoid exchange rate risks.
 - (2) For risk management, the Company's finance unit works closely with various operating units within the Company to be responsible for identifying, evaluating and hedging financial risks.
 - (3) For information on derivative instruments to avoid financial risks, please see Note VI (II).
- ### 3. Nature and extent of significant financial risk

(1) Market risk

Exchange rate risk

- A. The Company operates as a multinational company. Therefore, it is subject to the exchange rate risk arising from transactions that are functionally different from the Company, which are mainly USD, Japanese Yen, and RMB. The relevant exchange rate risk comes from future business transactions and recognized assets and liabilities.
- B. The Company hedges the overall exchange rate risk through the Company's Finance Department. Foreign exchange risk is measured with the use of forward exchange contracts and exchange rate swap contracts to minimize the effect of fluctuating exchange rates on the anticipated transactions of USD, Japanese Yen, and CNY which are highly probable.
- C. The Company uses forward exchange rates to hedge against exchange rate risks, but does not apply the hedge accounting to financial assets or liabilities measured at fair value through profit and loss. Please refer to Note 6 (2).
- D. The Company's business involves several non-functional currencies (the functional currency of the Company is NTD). Therefore, it is affected by exchange rate fluctuations, and there are significant exchange rate fluctuations. The information about assets and liabilities denominated in foreign currencies affected is as follows:

		<u>December 31, 2022</u>		
(Foreign currency: Functional currency)		<u>Foreign currency (\$ in thousand)</u>	<u>Exchange rate</u>	<u>Book value NTD Thousands</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	13,791	30.7100	\$ 423,522
RMB: NTD		40,095	4.4080	176,739
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	6,579	30.7100	\$ 202,041
Japanese Yen: NTD		30,950	0.2324	7,193
RMB: NTD		8,457	4.4080	37,278
		<u>December 31, 2021</u>		
(Foreign currency: Functional currency)		<u>Foreign currency (\$ in thousand)</u>	<u>Exchange rate</u>	<u>Book value NTD Thousands</u>

Financial assets

Monetary items

USD: NTD	\$	35,346	27.6800	\$	978,377
Japanese Yen: NTD		440,612	0.2405		105,967
RMB: NTD		85,483	4.3440		371,338

Non-monetary items

USD: NTD	\$	2,383	27.6800	\$	65,959
RMB: NTD		1,209	4.3440		5,252

Financial liabilities

Monetary items

USD: NTD	\$	23,906	27.6800	\$	661,718
Japanese Yen: NTD		283,076	0.2405		68,080
RMB: NTD		18,181	4.3440		78,978

E. All exchange gains and losses (including realized and unrealized) on the Company's monetary items due to exchange rate fluctuations were aggregated for NT\$27,449 and NT\$13,612 in 2022 and 2021, respectively.

F. The risk analysis of the Company's foreign currency market due to the impact of significant exchange rate fluctuations is as follows:

		<u>2022</u>		
		<u>Sensitivity analysis</u>		
		<u>Range of</u>	<u>Impact on profit</u>	<u>Impact on other</u>
		<u>change</u>	<u>and loss</u>	<u>comprehensive income</u>
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	4,235	\$ -
RMB: NTD	1%		1,767	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	2,020	\$ -
Japanese Yen: NTD	1%		72	-
RMB: NTD	1%		373	-

		<u>2021</u>		
		<u>Sensitivity analysis</u>		
		<u>Range of</u>	<u>Impact on profit</u>	<u>Impact on other</u>
		<u>change</u>	<u>and loss</u>	<u>comprehensive income</u>
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				

USD: NTD	1%	\$	9,784	\$	-
Japanese Yen: NTD	1%		1,060		-
RMB: NTD	1%		3,713		-

Financial liabilities

Monetary items

USD: NTD	1%	\$	6,617	\$	-
Japanese Yen: NTD	1%		681		-
RMB: NTD	1%		790		-

Price risk

- A. The Company's equity instruments exposed to price risk are financial assets measured at fair value through profits or losses and financial assets measured at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Company diversifies its investment portfolio according to the limit set by the Company.
- B. The Company mainly invests in equity instruments issued by domestic companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If the prices of these equity instruments rose or fell by 1%, with all other factors remaining unchanged, other comprehensive income in 2022 and 2021 would be classified as gains of equity investment measured at fair value through other comprehensive income. The contingent loss would increase or decrease by NT\$1,409 and NT\$1,396, respectively.

Cash flow and fair value interest rate risk

- A. The interest rate risk of the Company mainly comes from short-term loans issued at floating interest rates, which expose the Company to cash flow interest rate risk. Borrowings issued by the Company at floating interest rates were denominated in US dollars as of December 31, 2022 and 2021.
- B. If the borrowing rate increased or decreased by 1%, and all other factors remained unchanged, the net income after tax in 2021 would be decreased or increased by NT\$416. This is mainly due to the consequential changes in interest expenses caused by floating interest rate borrowings.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill contractual obligations, which mainly comes from the inability of counterparties to pay off accounts receivable according to the collection terms.
- B. The Company establishes credit risk management. According to the internal credit policy, the Company and each new customer shall determine the payment and delivery terms and conditions before establishing the terms and conditions for payment and delivery and credit risk analysis. Internal risk control is to evaluate the credit quality of customers by considering their financial position, past experience and other factors. The limit of individual risk is set by the Board of Directors according to the internal or external rating. The usage of the credit limit is monitored regularly.
- C. The Company adopts IFRS 9 to provide the hypotheses. When the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed that a default has occurred.
- D. The Company provides the following hypotheses in IFRS 9 as the basis for judging whether the credit risk of financial instruments has increased significantly after the initial recognition: When the contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- E. The Company classifies accounts receivable of customers according to the characteristics of trade credit risk, and estimates the expected credit loss based on the provision matrix and loss rate method.
- F. After the recourse procedure, the Company will write off the amount of the financial assets for which the recovery cannot be reasonably expected. However, the Company will continue the recourse procedure to preserve the rights of the claims. As of December 31, 2022 and 2021, the Company did not have any creditor's rights that were written off but were still subject to recourse.

- G. The expected loss rate of customers with good credit standing was 0.2%. The total book value of accounts receivable as of December 31, 2022 and 2021 were NT\$182,366 and \$407,737, respectively, and the loss allowance was NT\$19 and NT\$0, respectively.
- H. The Company incorporates economic countermeasures from the National Development Commission into its forward-looking considerations, and adjusts the loss rate based on historical and current information in a specific period to estimate the value of the allowance for loss of the accounts receivable (including related parties) of general credit customers. The preparation matrix as of December 31, 2022 and 2021, is as follows:

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.74%	\$ 310,591	\$ 2,287
Within 30 days of overdue	34.49%	<u>44</u>	<u>15</u>
		<u>\$ 310,635</u>	<u>\$ 2,302</u>

<u>December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.43%	\$ 818,348	\$ 6,245
Within 30 days of overdue	19.30%	<u>1,867</u>	<u>640</u>
		<u>\$ 820,215</u>	<u>\$ 6,885</u>

- I. The Company's simplified statement of changes in the allowance for loss of accounts receivable (including related parties) is as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 6,885	\$ 5,913
Provision (reversal) of impairment loss	(4,594)	972
Reversal of impairment loss on collections	<u>30</u>	<u>-</u>
December 31	<u>\$ 2,321</u>	<u>\$ 6,885</u>

Among the provisions (reversed) of losses in 2022 and 2021, the (reversed) provision for impairment of receivables generated from contracts with customers amounted to (NT\$4,564) and NT\$972, respectively.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating unit within the Company and summarized by the Company's financial unit. The Company's financial unit monitors the forecast of the Company's liquidity requirements to ensure that it has sufficient funds to meet operating needs.
- B. The following table shows the Company's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, which are classified according to the relevant maturity dates. Non-derivative financial liabilities are based on the residual period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the residual period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 290,444	\$ -	\$ -	\$ 290,444
Other payable accounts (including related party)	204,487	-	-	204,487
Lease liabilities	1,092	1,092	364	2,548

<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 1,714	\$ -	\$ -	\$ 1,714
December 31, 2021	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Short-term borrowings	\$ 52,003	\$ -	\$ -	\$ 52,003
Accounts payable (including related parties)	897,634	-	-	897,634
Other payable accounts (including related party)	303,947	-	-	303,947
Lease liabilities	363	-	-	363
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 3,905	\$ -	\$ -	\$ 3,905

(III) Information on fair value

1. The levels of the evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

- Class I: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks invested by the Company belongs to this.
- Class II: Direct or indirect observable inputs for assets or liabilities, except for quoted prices included in Class I. The fair value of the derivative instruments invested by the Company belongs to this.
- Class III: The unobservable input value of assets or liabilities includes the equity instrument investment that the Company invests in and for which there is no active market.

2. Financial instruments not measured at fair value

Includes cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable (including related parties), other) and the book value of lease liabilities are the reasonable approximation of the fair value.

3. The financial and non-financial instruments measured at fair value are classified according to the nature, characteristics, risk, and fair value level of the assets and liabilities. Relevant information is as follows:

(1) The information is classified according to the nature of the Company's assets and liabilities. The relevant information is as follows:

December 31, 2022	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 3,980	\$ -	\$ 3,980
Financial assets at FVTOCI				
Equity securities	<u>122,036</u>	<u>-</u>	<u>18,896</u>	<u>140,932</u>

	<u>\$ 122,036</u>	<u>\$ 3,980</u>	<u>\$ 18,896</u>	<u>\$ 144,912</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 1,714</u>	<u>\$ -</u>	<u>\$ 1,714</u>
December 31, 2021	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 1,769	\$ -	\$ 1,769
Foreign Exchange Swaps Contract	-	304	-	304
Financial assets at FVTOCI				
Equity securities	<u>139,625</u>	<u>-</u>	<u>-</u>	<u>139,625</u>
	<u>\$ 139,625</u>	<u>\$ 2,073</u>	<u>\$ -</u>	<u>\$ 141,698</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 3,905</u>	<u>\$ -</u>	<u>\$ 3,905</u>

- (2) The methods and hypotheses used by the Company to measure fair value are as follows:
- A. If the Company adopts market quotation as the input value of fair value (i.e. Class 1), the characteristics of the instruments are as follows:

	<u>Listed company stock</u>
Market quotation	Closing price

- B. Except for the financial instruments in the active market, the fair value of other financial instruments is based on the evaluation technology or with reference to the quotation of the counterparty.
- C. When evaluating non-standardized and less complicated financial instruments, the Company adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of this kind of financial instrument are usually the information that is observable in the market.
- D. The derivative financial instruments were evaluated according to the evaluation models widely accepted by the market users, such as the discount method. Foreign exchange forward contracts are usually evaluated based on the current forward exchange rate.
- E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the financial and non-financial instruments held by the Company. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of

the financial and non-financial instruments in the parent company only balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and adjusted according to the current market conditions.

4. There were no transfers between Class I and II in 2022 and 2021.

5. The following table shows the changes in Class III in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ -	\$ 144,954
Profit or loss recognized in other comprehensive income		
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(1,136)	39,291
Purchases in the current period	20,032	-
Sold in the current period	<u>-</u>	<u>(184,245)</u>
December 31	<u>\$ 18,896</u>	<u>\$ -</u>

6. There was no transfer in or out from Class III in 2022 and 2021.

7. In the evaluation process for the Company's fair value classified to Class III, the Finance Department is responsible for verifying the independent fair value of the financial instrument. The data from independent sources are used to approximate the evaluation results to the market status, and to confirm that the data sources are independent, reliable, and resources and any necessary fair value adjustment to ensure that the evaluation result is reasonable.

In addition, the finance department determines the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with relevant International Financial Reporting Standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for Class III fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	<u>December 31, 2022</u>	<u>Evaluation</u>	<u>Significant</u>	<u>Range (weighted</u>	<u>Relationship between input</u>
	<u>Fair value</u>	<u>technology</u>	<u>unobservable input</u>	<u>average)</u>	<u>value and fair value</u>
Non-derivative equity instruments:					
Non-listed stocks of TWSE/GTSM	\$ 18,896	Discounted cash flow method	Note 1	1.80	Note 2
	<u>December 31, 2021</u>	<u>Evaluation</u>	<u>Significant</u>	<u>Range</u>	<u>Relationship between input</u>
	<u>Fair value</u>	<u>technology</u>	<u>unobservable input</u>	<u>(weighted</u>	<u>value and fair value</u>
Non-derivative equity instruments:					
Non-listed stocks of TWSE/GTSM	\$ -	Discounted cash flow method	Note 1	Not applicable	Note 2

Note 1: Long-term revenue growth rate weighted average cost of capital, long-term pre-tax operating income, discount for lack of market liquidity, and minority discount.

Note 2: The higher the weighted average capital cost, the discount for lack of market liquidity, and the minority discount, the lower the fair value. The higher the long-term revenue growth rate and the

long-term net operating profit before tax, the higher the fair value.

9. The Company carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may result in different evaluation results.

XIII. Disclosures in notes

(I) Information about significant transactions

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities): Please refer to Table 1.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: None.
5. The amount of acquired real estate reaches NT\$300 million or more, or 20% of the paid-in capital: None.
6. Disposal of real estate properties amounting to NT\$300 million or more, or 20% of the paid-in capital: None.
7. The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Accounts receivable from related parties amounting to at least NT\$100 million, or 20% of the paid-in capital: Please refer to Table 3.
9. Trading of derivatives: Please refer to Note VI (II).
10. Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them: Please refer to Table 4.

(II) Information on reinvested businesses

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 5.

(III) Investment in Mainland China

1. Basic information: Please refer to Table 6.
2. Significant transactions with investee companies in mainland China directly or indirectly through enterprises in a third region: Please refer to Table 4.

(IV) Information of major shareholders

Information of major shareholders: Please refer to Table 7.

XIV. Departmental Information

Not applicable.

Advanced Optoelectronic Technology Inc.

Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities)

December 31, 2022

Table 1

Unit: NT\$ Thousand
(unless otherwise stated)

Companies held	Type and name of securities (Note 1)	Relationship with issuer of securities	Account titles in book	End of period				Remarks
				Shares (Thousand Shares)	Book value (Note 2)	Shareholding ratio (%)	Fair value	
Advanced Optoelectronic Technology Inc.	Northern Lights Semiconductor Corporation stock	None	Financial assets mandatorily measured at fair value through profit or loss - non-current	2,033	\$ -	10.27%	\$ -	None
Advanced Optoelectronic Technology Inc.	Shares of Excellence Optoelectronics Inc	None	Financial assets at fair value through other comprehensive income - non-current	312	7,016	0.17%	7,016	None
Advanced Optoelectronic Technology Inc.	Shares of Epileds Technologies, Inc.	The chairman of the Company is a director of the company	Financial assets at fair value through other comprehensive income - non-current	8,100	115,020	8.07%	115,020	None
Advanced Optoelectronic Technology Inc.	Shares in Hua Yang Precision Machinery Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	773	18,896	5.12%	18,896	None

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforementioned items within the scope of IFRS 9 "Financial Instruments."

Note 2: If the measurement is based on fair value, please fill in the book balance after adjustment for fair value evaluation and net of accumulated impairment. For the book value not measured at fair value, please fill in the book value of the original acquisition cost or cost after amortization deducting the accumulated impairment in the book value column.

Advanced Optoelectronic Technology Inc.

The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

January 1 to December 31, 2022

Table 2

Unit: NT\$ Thousand
(unless otherwise stated)

Purchase (sales) company	Name of counterparty	Relationship	Status of transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	% of total purchase (sale)	Period of credit extension	Unit price	Period of credit extension	Balance	Percentage in total accounts/notes receivable (payable) (%)	
Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	Sales volume	\$ 326,949	15	O/A with net 120 days	-	-	\$ 173,105	33	Note 1
Advanced Optoelectronic Technology Inc.	HON HAI PRECISION IND. CO., LTD.	Entities with significant influence on the Company	Sales volume	263,114	12	O/A with net 120 days	-	-	67,138	13	Note 1
Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	Purchase volume	102,004	9	O/A with net 120 days	-	-	37,223	13	Note 1
ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Nanjing Sharp Electronics Co., Ltd.	Other related party	Sales volume	134,633	21	O/A with net 90 days	-	-	48,009	24	Note 1

Note 1: The price of the Company's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties.

Advanced Optoelectronic Technology Inc.
Accounts receivable from related parties amounting to more than NT\$100 million or 20% of the paid-in capital
December 31, 2022

Table 3

Unit: NT\$ Thousand
(unless otherwise stated)

The company that accounts for the accounts receivable	Name of counterparty	Relationship	Receivables from related parties	Turnover (times)	Overdue accounts receivable - related		Subsequent recovery of receivables from related parties	Provision for loss allowance
					Amount	Treatment method		
Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	\$ 173,105	1.21	\$ 69,937	Enhancement of collection service	\$ 81,897	\$ -

Advanced Optoelectronic Technology Inc.

Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them

January 1 to December 31, 2022

Table 4

Unit: NT\$ Thousand
(unless otherwise stated)

No. (Note 1)	Name of Transaction Party	Counterparty of transactions	Relationship with the counterparty (Note 2)	Status of transactions			Percentage to consolidated total revenue or total assets (%) (Note 3)
				Accounts	Amount	Trading terms and conditions	
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Sales volume	\$ 326,949	Note 4	13.56
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Purchase volume	102,004	Note 4	4.23
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts receivable	173,105	Note 4	5.38
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts payable	37,223	Note 4	1.16

Note 1: Information on business transactions between the parent company and its subsidiaries shall be specified in the numbered column. The number is to be entered as follows:

- (1) "0" for the parent company.
- (2) Subsidiaries are numbered sequentially from 1 onwards.

Note 2: There are three types of relationship with transaction parties, and it is sufficient to indicate the relationship:

- (1) Between the parent company and its subsidiaries.
- (2) Subsidiary to parent company.
- (3) Subsidiaries to subsidiaries.

Note 3: In employing the ratio of transaction amount to consolidated revenue or assets, if it belongs as an asset and liability item, the ratio is calculated by taking the ending balance to the consolidated total assets. If it belongs as a profit and loss item, the ratio is calculated by taking the interim accumulated amount to the consolidated total revenue.

Note 4: The payment deadline for sales to related parties is 120 days after the shipment. The payment term for purchases with related parties, except for some materials, which is sight payment, is 120 days after purchase.

Note 5: List the ratios of transaction amount to total consolidated revenue or total assets that reach 1%.

Advanced Optoelectronic Technology Inc.

The name and location of the investee company and other relevant information (excluding mainland China investee companies)

January 1 to December 31, 2022

Table 5

Unit: NT\$ Thousand

(unless otherwise stated)

Name of investment company	Name of investee company (Note 1, 2)	Location of the Company	Main Business	Initial investment amount		Held at end of period			Profit or loss of the investee	Investment income recognized in the current period	Remarks
				End of current period	End of last year	Shares (Thousand Shares)	Percentage (%)	Book value			
Advanced Optoelectronic Technology Inc.	Advanced Optoelectronic Technology Holding Ltd.	Samoa	Investments in various businesses	\$ 99,811	\$ 99,811	3,250	100	\$ 74,584	\$ 3,411	\$ 3,411	Subsidiary
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc.	Taiwan	Manufacture and sale of electronic components	42,000	-	4,200	60	38,874	(5,210)	(4,168)	Subsidiary
Advanced Optoelectronic Technology Inc.	ELUX, Inc.	USA	Development of micro LED displays	91,188	91,188	283	25.94	-	70,879	-	Investee companies
Advanced Optoelectronic Technology Holding Ltd.	AOT Holding Ltd.	Samoa	Investments in various businesses	67,632	67,632	2,250	100	78,425	3,402	-	Sub-sub-sidiaries

Note 1: If the public company that has a foreign holding company and complies with local laws and regulations, mainly rely on the consolidated financial statements in its financial statements, the relevant information about the foreign invested company may be disclosed only to the relevant information of the holding company.

Note 2: Please fill in the information as follows for situations other than those described in Note 1:

(1) The columns of "Name of investee company," "Location," "Main business," "Original investment amount" and "Ownership at end of the period" must be filled out based on the (public) Company's investment status and the re-investment situation of each investee directly or indirectly controlled in order, and the relationship between each investee and the (public) Company (e.g., a subsidiary or a sub-subsidiary) must be indicated in the remarks column.

(2) Fill in the amount of current profit or loss of the investee in the column of "Profit or loss of investee for the current period."

(3) The column, Gains and losses on investment recognized for the current period, must be filled out with the (public) Company's recognized subsidiaries through direct investments and the gain or loss amount for each of the equity-method investee company, and the rest is not required. When filling in the "Recognized amount of current profit or loss on each subsidiary directly invested," it must be confirmed that the amount of the current profit or loss on each subsidiary includes

Advanced Optoelectronic Technology Inc.

Information of major shareholders

December 31, 2022

Table 7

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
BAO XIN INTERNATIONAL INVESTMENTS LIMITED	9,853,000	6.81%
Hua Zhun Investment Co., Ltd.	7,672,000	5.30%

Note 1: The information on major shareholders in this table is based on data of above 5% in total of common stock and preferred stock of the companies held by shareholders have completed dematerialized registration and delivery (including treasury shares) and is calculated each quarter on the final business day, by the Taiwan Depository & Clearing Corporation.

The capital stock reported in the Company's financial statements and the number of shares that the Company has completed dematerialized registration and delivery, may show discrepancies due to different basis in calculation.

Note 2: If any of the above-mentioned entities has transferred control of shareholdings to a trustee, then disclosure of information regarding the entity will be in the form of the Settler's account of trust opened by the trustee. According to the Securities and Exchange Act, insiders or shareholders holding more than 10% of shares must file if any changes in stocks held, which include shareholdings that have been transferred to trustee and trust assets that the shareholder may determine the usage of shares; for filed information of