

Advanced Optoelectronic Technology Inc.  
Parent Company Only Financial Statements and  
Independent Auditors' Report  
2023 and 2022  
(Stock code: 3437)

Company address: No. 13, Gongye 5th Rd., Hukou Township,  
Hsinchu County

Notice to readers

For the convenience of readers and for information purpose only, the auditors' report and company financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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.

Advanced Optoelectronic Technology Inc.  
2023 and 2022 Parent Company Only Financial Statements and  
Independent Auditors' Report  
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## Independent Auditors' Report

(2024) Cai-Shen-Bao-Zi No. 23004721

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, 2023 and 2022, 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, 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, 2023 and 2022, 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. We believe that

sufficient and appropriate audit evidence has been obtained in order to be served as a basis for presenting our audit 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, 2023. 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, 2023 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.

#### **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, 2023 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 Taiwan

Po-Chuan Lin

Accountant

Shu-Chiung Chang

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 12, 2024

Advanced Optoelectronic Technology Inc.  
Parent Company Only Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ Thousand

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 1,107,702	35	\$ 1,215,940	40
1110	Financial assets at fair value through profit or loss (FVTPL) - Current	VI (II)	5,670	-	3,980	-
1170	Accounts receivable, net	VI (III)	346,263	11	242,191	8
1180	Accounts receivable - related parties, net	VI (III) and (VII)	241,945	8	248,489	8
1200	Other receivables	VI (IV) and VII	27,714	1	28,217	1
1220	Current income tax assets		1,624	-	562	-
130X	Inventory	VI (V)	148,500	5	140,865	5
1410	Prepayments		14,191	-	6,961	-
1479	Other current assets - others		283	-	233	-
11XX	<b>Total of current assets</b>		<u>1,893,892</u>	<u>60</u>	<u>1,887,438</u>	<u>62</u>
<b>Non-current assets</b>						
1517	Financial assets at FVTOCI - non-current	VI (VI)	205,954	7	140,932	4
1550	Investment under equity method	VI (VII) and VII	158,598	5	113,458	4
1600	Property, plant, and equipment	VI (VIII) (XI)	688,205	22	807,252	26
1755	Right-of-use assets	VI (IX)	1,405	-	2,458	-
1780	Intangible assets	VI (X)	114,793	4	8,987	-
1840	Deferred tax assets	VI (XXIII)	76,617	2	80,825	3
1975	Net defined benefit assets - non-current	VI (XIV)	-	-	20,757	1
1990	Other non-current assets - others	VIII	1,511	-	1,511	-
15XX	<b>Total non-current assets</b>		<u>1,247,083</u>	<u>40</u>	<u>1,176,180</u>	<u>38</u>
1XXX	<b>Total assets</b>		<u>\$ 3,140,975</u>	<u>100</u>	<u>\$ 3,063,618</u>	<u>100</u>

(continued on next page)

Advanced Optoelectronic Technology Inc.  
Parent Company Only Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ Thousand

Liabilities and equity	Notes	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Current liabilities</b>					
2120	Financial liabilities at fair value through profit or loss - Current	\$ 1,161	-	\$ 1,714	-
2130	Contract liabilities - current	-	-	112	-
2170	Accounts payable	306,522	10	248,965	8
2180	Accounts payable - related parties	43,675	1	41,479	1
2200	Other payables	241,300	8	203,276	7
2220	Other payables - related parties	-	-	1,211	-
2280	Lease liabilities - current	1,070	-	1,045	-
2399	Other current liabilities - others	14,280	-	46,075	2
21XX	<b>Total of current liabilities</b>	<u>608,008</u>	<u>19</u>	<u>543,877</u>	<u>18</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	7,055	-	4,604	-
2580	Lease liabilities - non-current	362	-	1,432	-
2610	Long-term notes and payables	46,057	2	-	-
25XX	<b>Total of non-current liabilities</b>	<u>53,474</u>	<u>2</u>	<u>6,036</u>	<u>-</u>
2XXX	<b>Total liabilities</b>	<u>661,482</u>	<u>21</u>	<u>549,913</u>	<u>18</u>
<b>Equity</b>					
Share capital					
3110	Common stock share capital	1,445,480	46	1,445,480	47
Capital Surplus					
3200	Capital Surplus	956,609	30	954,265	31
Retained earnings					
3310	Legal reserves	168,696	5	195,549	7
3350	Losses to be compensated	( 99,031)	( 3)	( 26,853)	( 1)
Other equity					
3400	Other equity	7,739	1	( 54,736)	( 2)
3XXX	<b>Total equity</b>	<u>2,479,493</u>	<u>79</u>	<u>2,513,705</u>	<u>82</u>
Significant Contingent Liabilities and IX Unrecognized Commitments					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 3,140,975</u>	<u>100</u>	<u>\$ 3,063,618</u>	<u>100</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 : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun

Advanced Optoelectronic Technology Inc.  
Parent Company Only Comprehensive Income Statement  
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand  
(except for loss per share in NTD)

Items	Notes	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	VI (XVIII) and VII	\$ 1,879,310	100	\$ 2,186,918	100
5000 Operating cost	VI (V) (XXII) and VII	( 1,532,306)	( 82)	( 1,948,006)	( 89)
5900 Gross profit		347,004	18	238,912	11
5910 Unrealized gains on sales		( 1,202)	-	( 3,924)	-
5920 Realized gain on sales		3,924	-	8,067	-
5950 Gross operating profit, net		349,726	18	243,055	11
Operating expenses	VI (XXII) and VII				
6100 Sales and marketing expenses		( 163,671)	( 9)	( 156,908)	( 7)
6200 Administrative expenses		( 176,989)	( 9)	( 174,273)	( 8)
6300 R&D expenses		( 71,950)	( 4)	( 78,879)	( 4)
6450 Expected credit impairment gain (loss)	XII (II)	( 3,519)	-	4,594	-
6000 Total operating expenses		( 416,129)	( 22)	( 405,466)	( 19)
6900 Operating loss		( 66,403)	( 4)	( 162,411)	( 8)
Non-operating income and expense					
7100 Interest income		16,445	1	9,487	-
7010 Other income	VI (XIX) and VII	19,876	1	12,091	1
7020 Other gains and losses	VI (XX)	482	-	4,548	-
7050 Financial cost	VI (XXI)	( 4,961)	-	( 3,233)	-
7070 Share of the profit or loss of the subsidiaries, affiliated companies and joint ventures under the equity method	VI (VII)	( 57,811)	( 3)	( 1,579)	-
7000 Total non-operating income and expenses		( 25,969)	( 1)	21,314	1
7900 <b>Net loss before tax</b>		( 92,372)	( 5)	( 141,097)	( 7)
7950 Income tax expenses	VI (XXIII)	( 8,961)	-	( 107)	-
8200 <b>Current net loss</b>		<u>(\$ 101,333)</u>	<u>( 5)</u>	<u>(\$ 141,204)</u>	<u>( 7)</u>
<b>Other comprehensive income (net)</b>					
<b>Items not reclassified to profit or loss</b>					
8311 Remeasurement of defined benefit plans	VI (XIV)	\$ -	-	\$ 5,483	-
8316 Unrealized gains (losses) on investments in equity instruments at FVTOCI	VI (VI)	64,590	3	( 75,607)	( 3)
8349 Income tax related to items not reclassified	VI (XXIII)	2,302	-	( 1,097)	-
8310 Total of items not reclassified to profit or loss		66,892	3	( 71,221)	( 3)
<b>Items that may be reclassified subsequently to profit or loss</b>					
8361 Exchange difference in the translation of the financial statement of foreign operations		( 2,115)	-	1,070	-

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 : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun

Advanced Optoelectronic Technology Inc.  
Parent Company Only Comprehensive Income Statement  
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand  
(except for loss per share in NTD)

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	VI (VII)	-	-	148	-
8360	Total of items that may be reclassified subsequently to profit or loss		( 2,115)	-	1,218	-
8300	<b>Other comprehensive income (loss) after tax for current period</b>		<u>\$ 64,777</u>	<u>3</u>	<u>(\$ 70,003)</u>	<u>( 3)</u>
8500	<b>Total comprehensive loss for current period</b>		<u>(\$ 36,556)</u>	<u>( 2)</u>	<u>(\$ 211,207)</u>	<u>( 10)</u>
9750	Loss per share Basic loss per share	VI (XXIV)		<u>0.70)</u>	<u>(\$</u>	<u>0.98)</u>

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Chairman : Fang, Jung Hsi

Manager : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun

Advanced Optoelectronic Technology Inc.  
Parent Company Only Statement of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

	Notes	Capital Surplus					Retained earnings		Other equity			Total equity
		Common stock share capital	Shares premium from issuance	Recognition of changes in equity of subsidiaries	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal 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	
<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 )	
Total comprehensive income (loss)		-	-	-	-	-	-	( 136,818 )	1,218	( 75,607 )	( 211,207 )	
Appropriation and distribution of 2021 earnings:	VI (XVII)											
Provision of legal reserve		-	-	-	-	-	-	19,446	( 19,446 )	-	-	-
Cash dividends		-	-	-	-	-	-	-	( 65,047 )	-	-	( 65,047 )
Disposal of investment under equity method		-	-	-	-	-	-	-	-	( 124 )	-	( 124 )
Recognition of changes in equity of subsidiaries	VI (VII)	-	-	1,042	-	-	-	-	-	-	-	1,042
Balance at December 31, 2022		\$ 1,445,480	\$ 936,594	\$ 1,042	\$ 5,900	\$ 10,681	\$ 48	\$ 195,549	(\$ 26,853)	(\$ 4,536)	(\$ 50,200)	\$ 2,513,705
<u>2023</u>												
Balance on January 1, 2023		\$ 1,445,480	\$ 936,594	\$ 1,042	\$ 5,900	\$ 10,681	\$ 48	\$ 195,549	(\$ 26,853)	(\$ 4,536)	(\$ 50,200)	\$ 2,513,705
Current net loss		-	-	-	-	-	-	-	( 101,333 )	-	-	( 101,333 )
Other comprehensive income (loss)	VI (VI)	-	-	-	-	-	-	2,302	( 2,115 )	64,590	64,777	
Total comprehensive income (loss)		-	-	-	-	-	-	( 99,031 )	( 2,115 )	64,590	( 36,556 )	
Appropriation and distribution of 2022 earnings:	VI (XVII)											
Legal reserve used to make up losses		-	-	-	-	-	-	( 26,853 )	26,853	-	-	-
Recognition of changes in equity of subsidiaries	VI (VII)	-	-	2,344	-	-	-	-	-	-	-	2,344
Balance on December 31, 2023		\$ 1,445,480	\$ 936,594	\$ 3,386	\$ 5,900	\$ 10,681	\$ 48	\$ 168,696	(\$ 99,031)	(\$ 6,651)	\$ 14,390	\$ 2,479,493

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 : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun



Advanced Optoelectronic Technology Inc.  
Parent Company Only Statement of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2023	January 1 - December 31, 2022
<u>Cash flow from operating activities</u>			
Net loss before tax for current period		( \$ 92,372 )	( \$ 141,097 )
Adjustment items			
Income/expenses that do not affect cash flow			
Depreciation expenses	VI (XXII)	143,903	178,370
Amortized expenses	VI (X) (XXII)	42,121	26,328
Expected credit impairment (gain) loss	XII (II)	3,519	( 4,594 )
Losses on financial assets and liabilities at FVTPL	VI (II) (XX)	2,981	16,879
Interest expense	VI (XXI)	4,961	3,233
Interest income		( 16,445 )	( 9,487 )
Dividend income	VI (XIX)	( 313 )	( 3,075 )
The share of loss on the subsidiaries and affiliated companies under the equity method	VI (VII)	57,811	1,579
Losses from disposal of property, plant, and equipment	VI (XX)	-	461
Gains on disposal of investment accounted for using equity method	VI (XX)	-	( 636 )
Property, plant and equipment recognized as expenses	VI (VIII)	3,427	-
Impairment losses of property, plant and equipment	VI (VIII) (XI) (XX)	805	6,197
Unrealized gains on sales		1,202	3,924
Realized gain on sales		( 3,924 )	( 8,067 )
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		( 1,690 )	( 1,907 )
Accounts receivable		( 107,597 )	366,487
Accounts receivable - related parties		6,180	368,464
Other receivables		681	21,848
Inventory		( 7,635 )	119,073
Prepayments		( 7,230 )	( 1,263 )
Other current assets		( 50 )	41
Net changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss - Current		( 3,534 )	( 19,070 )
Contract liabilities - current		( 112 )	49
Accounts payable		57,557	( 549,431 )
Accounts payable - related parties		2,196	( 57,759 )
Other payables		7,987	( 72,879 )
Other payables - related parties		( 1,211 )	( 4,744 )
Other current liabilities - others		( 31,795 )	30,506
Net defined benefit obligation		20,757	( 2,947 )
Cash inflow from operations		82,180	266,483
Interest received		16,267	8,620
Dividends received		313	3,075
Interest paid		( 5,039 )	( 2,944 )
Income tax paid		( 1,062 )	( 12,793 )
Net cash inflow from operating activities		<u>92,659</u>	<u>262,441</u>

(continued on next page)

Advanced Optoelectronic Technology Inc.  
Parent Company Only Statement of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2023	January 1 - December 31, 2022
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at fair value through other comprehensive income - non-current		(\$ 432 )	(\$ 76,914 )
Investment under equity method acquired	VI (VII)	( 100,000 )	( 42,000 )
Disposal of investment under equity method	VI (VII)	-	5,089
Acquisition of property, plant, and equipment	VI (XXV)	( 31,951 )	( 90,884 )
Disposal of property, plant, and equipment		-	74
Acquisition of intangible assets	VI (XXV)	( 67,839 )	( 16,608 )
Decrease of other non-current assets - others		370	14
Net cash outflow from investing activities		( 199,852 )	( 221,229 )
<u>Cash flow from financing activities</u>			
Net decrease in short-term borrowings	VI (XXVI)	-	( 52,003 )
Repayment of lease principal	VI (XXVI)	( 1,045 )	( 1,045 )
Distribution of cash dividends	VI (XVII)	-	( 65,047 )
Net cash outflow from financing activities		( 1,045 )	( 118,095 )
Decrease in cash and cash equivalents for current period		( 108,238 )	( 76,883 )
Opening balance of cash and cash equivalents		1,215,940	1,292,823
Closing balance of cash and cash equivalents		\$ 1,107,702	\$ 1,215,940

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 : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun

Advanced Optoelectronic Technology Inc.  
Notes to Parent Company Only Financial Statements  
2023 and 2022

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 “先進開發光電股份有限公司” to “榮創能源科技股份有限公司”), 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 12, 2024.

III. Applicable new and amended standards and interpretations

(I) Effect upon adoption of the new and amended IFRSs and accounting standards 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 and accounting standards applicable in 2023 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 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
Amendments to IAS 12 "International Tax Reform - Pillar 2 Regulation Template"	May 23, 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.

(II) Effect of new issuances of or amendments to IFRSs and accounting standards 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 and accounting standards applicable in 2024 endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	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.

(III) IFRSs and accounting standards 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 and accounting standards 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
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 21 "Lack of Convertibility"	January 1, 2025

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	3 to 26 years
Machinery and equipment	2 to 6 years
Office equipment	1 to 6 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, and does not generate equivalent taxable amount and deductible temporary differences, 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, 2023, the book value of the Company's inventories amounted to NT\$148,500.

VI. Description of important accounting items

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash allowance	\$ 20	\$ 20

Demand deposits	211,272	154,855
Time deposit	<u>896,410</u>	<u>1,061,065</u>
	<u>\$ 1,107,702</u>	<u>\$ 1,215,940</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 management</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives		
-Forward Exchange Contract	<u>\$ 5,670</u>	<u>\$ 3,980</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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial liabilities held for trading		
Derivatives		
-Forward Exchange Contract	<u>(\$ 1,161)</u>	<u>(\$ 1,714)</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>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss and available-for-sale financial liabilities		
Derivatives	<u>(\$ 2,981)</u>	<u>(\$ 16,879)</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, 2023</u>	
	Contract amount	
Derivative financial assets (liabilities)	(Nominal principal amount)	Duration of the contract
	(\$ in Thousand)	
Current items:		
Forward Exchange Contract		

Sell USD and buy NTD	US Dollars	7,333	2023/10/13~2024/03/22
Sell USD and buy JPY	Japanese Yen	50,500	2023/10/26~2024/01/23
Sell CNY to buy NTD	CNY	5,100	2023/11/10~2024/05/24
Sell CNY and buy USD	CNY	12,500	2023/09/19~2024/05/14

December 31, 2022

Derivative financial assets (liabilities)	Contract amount (Nominal principal amount) (\$ in Thousand)	Duration of the contract
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

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 12 (2).

(III) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 351,535	\$ 243,938
Less: Allowance for losses	( 5,272)	( 1,747)
	<u>\$ 346,263</u>	<u>\$ 242,191</u>
Accounts receivable - related parties	\$ 242,883	\$ 249,063
Less: Allowance for losses	( 938)	( 574)
	<u>\$ 241,945</u>	<u>\$ 248,489</u>



1. Aging analysis of accounts receivable (including related parties) are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not overdue	\$ 526,089	\$ 421,071
Within 30 days of overdue	31,692	17,221
Past Due 31-60 Days	30,102	25,980
Past due 61-90 days	<u>6,535</u>	<u>28,729</u>
	<u>\$ 594,418</u>	<u>\$ 493,001</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, 2023 and 2022 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, 2022 amounted to NT\$1,227,952 and NT\$6,885, 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, 2023 and 2022, the risk exposure amounted to NT\$588,208 and NT\$490,680 respectively.
- As of December 31, 2023 and 2022, the amount of accounts receivable transferred to collection (stated as other non-current assets) amounted to NT\$483,578 and NT\$483,948 respectively, which had been fully provided against loss; and in 2023 and 2022, the provision (reversal) of allowance for losses collection (stated as other non-current assets) was (NT\$370) and NT\$30, 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 12 (2).

(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

<u>December 31, 2023</u>					
<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 3,090	USD 3,090	USD 2,627	US Dollar -	6.36%~6.48%
<u>December 31, 2022</u>					
<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%

As of December 31, 2023 and 2022, the selling accounts receivable assigned by the Company included retentions of NT\$14,234 and NT\$13,802, respectively, which had been transferred to other receivables.

(V) Inventory

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 49,548	(\$ 17,624)	\$ 31,924
Work-in-progress	64,529	( 17,735)	46,794
Finished goods	79,669	( 16,066)	63,603
Merchandise inventory	<u>6,803</u>	<u>( 624)</u>	<u>6,179</u>
	<u>\$ 200,549</u>	<u>(\$ 52,049)</u>	<u>\$ 148,500</u>

  

	<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>

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

	<u>2023</u>	<u>2022</u>
Cost of sold inventory	\$ 1,522,838	\$ 1,878,715
Loss of idle capacity	53,289	70,340
Loss on inventory devaluation (gain on recovery) (Note)	( 34,161)	9,501
Income from sale of scraps	( 9,660)	( 10,550)
	<u>\$ 1,532,306</u>	<u>\$ 1,948,006</u>

Note: The recovery of gains in 2023 was mainly due to the fact that the Company actively disposed of idle inventories.

(VI) Financial assets at FVTOCI

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Equity instruments		
Listed company stock	\$ 171,532	\$ 171,100
Emerging stocks	20,032	-
Non-listed, OTC, or emerging stocks	<u>-</u>	<u>20,032</u>

	191,564	191,132
Adjustment of evaluation	<u>14,390</u>	<u>(50,200)</u>
	<u>\$ 205,954</u>	<u>\$ 140,932</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, 2023 and 2022 were NT\$205,954 and NT\$140,932, respectively.
2. 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>2023</u>	<u>2022</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ 64,590</u>	<u>(\$ 75,607)</u>
Dividend income recognized in profit or loss held at the end of the period	<u>\$ 313</u>	<u>\$ 3,075</u>

3. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note 12 (2).

(VII) Investment under equity method

1. Statement of changes and details are as follows:

	<u>2023</u>	<u>2022</u>
January 1	\$ 113,458	\$ 71,211
Increase in investment under equity method	100,000	42,000
Disposal of investment under equity method	-	(4,577)
Share of investment income accounted for using equity method	(57,811)	(1,579)
Capital surplus - recognition of change in equity of subsidiaries	2,344	1,042
Other changes in equity	<u>607</u>	<u>5,361</u>
December 31	<u>\$ 158,598</u>	<u>\$ 113,458</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
Advanced Optoelectronic Technology Holding Ltd. (Advanced)	\$ 63,068	\$ 74,584
Asphetek Solution Inc. (Asphetek)	95,530	38,874
Affiliated companies:		
ELUX, Inc. (ELUX)	24,953	24,953
Accumulated impairment	<u>(24,953)</u>	<u>(24,953)</u>
	<u>\$ 158,598</u>	<u>\$ 113,458</u>

- (1) 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.
  - (2) 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 NT\$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; the Company participated in the capital increase by cash of NT\$100,000 of Asphetek in June 2023. The Company did not subscribe according to the shareholding ratio, resulting in the decrease of the shareholding ratio from 60% to 47%, resulting in an increase or decrease in the net equity value of the investment, and an additional capital reserve of NT\$2,344.
  - (3) 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>2023</u>	<u>2022</u>
Subsidiaries:		
Advanced	(\$ 13,012)	\$ 3,411
Asphetek Solution	( 44,799)	( 4,168)
Affiliated companies:		
An Qing Xin Kairong	-	( 822)
	<u>(\$ 57,811)</u>	<u>(\$ 1,579)</u>

3. Subsidiaries

For information on the subsidiaries of the Company, refer to Note 4 (3) of the Company's consolidated financial statements 2023.

4. Affiliated companies

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

As of December 31, 2023 and 2022, the book values of the individual non-material associates of the Company both amounted to NT\$0.

	<u>2023</u>	<u>2022</u>
Current net loss	\$ -	(\$ 822)
Other comprehensive income (net amount after tax)	<u>-</u>	<u>148</u>
Total comprehensive income (loss)	<u>\$ -</u>	<u>(\$ 674)</u>

(VIII) Property, plant, and equipment

2023

	<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	\$ 790,088	\$ 1,905,166	\$ 71,682	\$ 253,802	\$ 24,374	\$ 3,205,469
Accumulated depreciation and impairment	-	( 418,771)	( 1,681,337)	( 58,227)	( 239,882)	-	( 2,398,217)
	<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>
January 1	\$ 160,357	\$ 371,317	\$ 223,829	\$ 13,455	\$ 13,920	\$ 24,374	\$ 807,252
Increase	-	-	-	-	-	28,290	28,290
Reclassified (Note)	-	8,546	28,439	278	3,082	( 44,027)	( 3,682)
Depreciation expenses	-	( 51,335)	( 76,152)	( 5,167)	( 10,196)	-	( 142,850)
Impairment loss	-	-	( 805)	-	-	-	( 805)
December 31	<u>\$ 160,357</u>	<u>\$ 328,528</u>	<u>\$ 175,311</u>	<u>\$ 8,566</u>	<u>\$ 6,806</u>	<u>\$ 8,637</u>	<u>\$ 688,205</u>
December 31							
Cost	\$ 160,357	\$ 798,634	\$ 1,915,661	\$ 71,922	\$ 256,404	\$ 8,637	\$ 3,211,615
Accumulated depreciation and impairment	-	( 470,106)	( 1,740,350)	( 63,356)	( 249,598)	-	( 2,523,410)
	<u>\$ 160,357</u>	<u>\$ 328,528</u>	<u>\$ 175,311</u>	<u>\$ 8,566</u>	<u>\$ 6,806</u>	<u>\$ 8,637</u>	<u>\$ 688,205</u>

2022

	Land	Housing and construction	Machinery and equipment	Office equipment	Other equipment	Unfinished construction and equipment pending inspection	Total
January 1							
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>
January 1	\$ 160,357	\$ 398,142	\$ 252,015	\$ 19,868	\$ 28,505	\$ 48,202	\$ 907,089
Increase	-	-	-	-	-	85,366	85,366
Disposal	-	-	( 535)	-	-	-	( 535)
Reclassified (Note)	-	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	-	( 418,771)	( 1,681,337)	( 58,227)	( 239,882)	-	( 2,398,217)
	<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>

Note: The reclassifications in 2023 and 2022 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 Company did not pledge any property, plant and equipment or capitalize the interest thereof.
3. Please refer to Note 6 (11) 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:

December 31, 2023

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	<u>\$ 3,160</u>	<u>(\$ 1,755)</u>	<u>\$ 1,405</u>

December 31, 2022

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	<u>\$ 3,160</u>	<u>(\$ 702)</u>	<u>\$ 2,458</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	<u>\$ 1,053</u>	<u>\$ 1,056</u>

4. The increase in the Company's right-of-use assets in 2023 and 2022 were NT\$0 and NT\$3,161, respectively.
5. The information on profit and loss items related to lease contracts is as follows:

	<u>2023</u>	<u>2022</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	\$ 47	\$ 47
Expenses of short-term lease contracts	676	877
Expenses of low-value asset lease	377	416

6. The total cash outflow from the leases of the Company in 2023 and 2022 amounted to NT\$2,145 and NT\$2,385, respectively.



(X) Intangible assets

	<u>2023</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ -	\$ 70,902	\$ 70,902
Accumulated amortization	-	( 61,915)	( 61,915)
	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
January 1	\$ -	\$ 8,987	\$ 8,987
Increase	147,672	-	147,672
Reclassification	-	255	255
Amortized expenses	( 36,918)	( 5,203)	( 42,121)
December 31	<u>\$ 110,754</u>	<u>\$ 4,039</u>	<u>\$ 114,793</u>
December 31			
Cost	\$ 147,672	\$ 71,157	\$ 218,829
Accumulated amortization	( 36,918)	( 67,118)	( 104,036)
	<u>\$ 110,754</u>	<u>\$ 4,039</u>	<u>\$ 114,793</u>
	<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>

The details of amortization of intangible assets are as follows:

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 467	\$ 407
Sales and marketing expenses	36,919	20,188
Administrative expenses	3,902	4,900
R&D expenses	<u>833</u>	<u>833</u>
	<u>\$ 42,121</u>	<u>\$ 26,328</u>

(XI) Impairment of non-financial assets

The total amount of impairment loss recognized by the Company in 2023 and 2022 was NT\$805 and NT\$6,197, respectively, and the details are as follows:

	<u>2023</u>	
	<u>Recognized in current profit and loss</u>	<u>Recognized in other comprehensive income</u>
Impairment loss - machinery and equipment	<u>(\$ 805)</u>	<u>\$ -</u>
	<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) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	\$ 84,951	\$ 93,376
Premiums payable	46,045	8,513
Payable outsourcing fees	26,456	11,950
Payables for equipment	18,097	21,758
Labor and health insurance and pension payable	15,276	16,982
Payable commission	9,214	7,328
Others	<u>41,261</u>	<u>43,369</u>
	<u>\$ 241,300</u>	<u>\$ 203,276</u>

(XIII) Long-term notes and payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Premiums payable	\$ 79,833	\$ -
Less: Due within one year	<u>(33,776)</u>	<u>-</u>
	<u>\$ 46,057</u>	<u>\$ -</u>

(XIV) 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. The Company was allowed by the competent authority in May 2023 to retrieve the remaining amount in the labor pension reserve account.
- (3) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ -	\$ -
Fair value of planned assets	-	<u>20,757</u>
Net defined benefit assets	<u>\$ -</u>	<u>\$ 20,757</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit assets</u>
January 1	\$ -	\$ 20,757	\$ 20,757
Retrieval of labor pension reserve	-	( 20,757)	( 20,757)
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>2022</u>		
	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit assets
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>

- (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, is stated in the labor pension fund utilization report announced by the government for the respective years.
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 2023 and 2022, the Company recognized pension cost amounting to NT\$22,085 and NT\$24,322, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XV) Share capital

1. As of December 31, 2023, 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>2023</u>	<u>2022</u>
January 1 (i.e. December 31)	<u>144,548</u>	<u>144,548</u>

(XVI) 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.

(XVII) 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 passed the motion for offsetting deficits in 2022 at the shareholders' meeting on June 28, 2023. NT\$26,853 was made up for the losses with legal reserve.

6. The Company's shareholders' meeting on June 29, 2022 resolved the 2021 profit distribution proposal as follows:

	<u>2021</u>	
	Amount	Dividend per share (NTD)
Legal reserves	\$ 19,446	
Cash dividends	<u>65,047</u>	<u>\$ 0.45</u>
	<u>\$ 84,493</u>	

(XVIII) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts	<u>\$ 1,879,310</u>	<u>\$ 2,186,918</u>

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>2023</u>	<u>2022</u>
Revenue from contracts with external customers		
China	\$ 1,358,991	\$ 1,666,212
Taiwan	81,188	131,747
Hong Kong	78,425	108,746
Vietnam	168,229	129,728
USA	72,367	78,852
South Korea	26,291	34,638
Turkey	67,303	12,194
Others	<u>26,516</u>	<u>24,801</u>
	<u>\$ 1,879,310</u>	<u>\$ 2,186,918</u>

2. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Sales contract	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 63</u>

(XIX) Other income

	<u>2023</u>	<u>2022</u>
Rent income	\$ 1,924	\$ 1,771
Dividend income	313	3,075
Other income	<u>17,639</u>	<u>7,245</u>
	<u>\$ 19,876</u>	<u>\$ 12,091</u>

(XX) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gain on foreign currency exchange	\$ 4,268	\$ 27,449
Losses from disposal of property, plant, and equipment	-	( 461)
Gains on disposal of investment accounted for using equity method	-	636
Losses on financial assets and liabilities at FVTPL	( 2,981)	( 16,879)
Impairment losses of property, plant and equipment	( 805)	( 6,197)
	<u>\$ 482</u>	<u>\$ 4,548</u>

(XXI) Financial cost

	<u>2023</u>	<u>2022</u>
Interest expense:		
Borrowings from banks	\$ 280	\$ 129
Lease liabilities	47	47
Others	4,634	3,057
	<u>\$ 4,961</u>	<u>\$ 3,233</u>

(XXII) Employee benefits, depreciation and amortization expenses

	<u>2023</u>		
	<u>Attributable to operating cost</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefit expenses			
Salary expenses	\$ 279,854	\$ 150,849	\$ 430,703
Labor and national health insurance expenses	32,087	14,433	46,520
Pension expense	13,174	7,499	20,673
Remuneration to Directors	-	1,900	1,900
Other employee benefit expenses	28,695	8,222	36,917
Depreciation expenses	105,300	28,719	134,019
Amortized expenses	467	41,654	42,121

	<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	38,157	14,627	52,784

insurance expenses			
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

Note: Some employee benefits and depreciation expenses are listed in the non-operating income and expense.

1. The Company had 713 and 856 employees in 2023 and 2022, respectively, including 6 and 6 directors who did not serve as employees concurrently, respectively.
2. The Company's shares are listed on the Taiwan Stock Exchange. Therefore, the following information is added:
  - (1) The average employee benefit expenses in 2023 and 2022 were NT\$795 and NT\$745, respectively.
  - (2) The average employee salary expenses in 2023 and 2022 were NT\$640 and NT\$604, respectively.
  - (3) The average employee salary expense adjustment was 6%.
  - (4) 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.
  - (5) The salary and remuneration policy of the Company is stated as follows:
    - A. 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.
    - B. 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.
    - C. 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.
3. 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.
4. The Company did not record the net loss after tax for 2023 and 2022, so remuneration to employees and directors was not recognized.
5. Information on the employees' and directors' remuneration approved by the



Company's Board of Directors is available on the Market Observation Post System.

(XXIII) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Income tax for the current period:		
Income tax arising from current income	\$ -	\$ -
Deferred income tax:		
Original occurrence and reversal of temporary difference	<u>8,961</u>	<u>107</u>
Income tax expenses	<u>\$ 8,961</u>	<u>\$ 107</u>

(2) Income tax related to other comprehensive income:

	<u>2023</u>	<u>2022</u>
Re-measurement of defined benefit obligation	<u>(\$ 2,302)</u>	<u>\$ 1,097</u>

2. Relationship between income tax expenses and accounting profit:

	<u>2023</u>	<u>2022</u>
Income tax calculated at statutory rate for net loss	(\$ 18,474)	(\$ 28,219)
Income tax effect of items adjusted in accordance with the tax law	14,712	6,938
Changes in realizable assessment of deferred income tax assets	<u>12,723</u>	<u>21,388</u>
Income tax expenses	<u>\$ 8,961</u>	<u>\$ 107</u>

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

	<u>2023</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
- Deferred income tax assets:				
Temporary difference:				
Unrealized gains on sales	\$ 785	(\$ 545)	\$ -	\$ 240
Inventory devaluation losses	18,064	( 7,654)	-	10,410
Allowance for loss beyond threshold	3,494	( 1,138)	-	2,356
Cost of goods sold to be replaced	46	( 20)	-	26
Unrealized exchange losses	318	946	-	1,264
Income from government subsidies	705	( 470)	-	235
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	12,068	161	-	12,229
Bonus payable for unused leave of absence	3,880	( 293)	-	3,587
Tax losses	<u>36,475</u>	<u>4,805</u>	<u>-</u>	<u>41,280</u>
	<u>80,825</u>	<u>( 4,208)</u>	<u>-</u>	<u>76,617</u>
- Deferred income tax liabilities:				
Unrealized gains on valuation of financial assets and liabilities	( 453)	( 449)	-	( 902)
Premiums payable	-	( 6,153)	-	( 6,153)
Defined benefit obligation	<u>( 4,151)</u>	<u>1,849</u>	<u>2,302</u>	<u>-</u>
	<u>( 4,604)</u>	<u>( 4,753)</u>	<u>2,302</u>	<u>( 7,055)</u>
	<u>\$ 76,221</u>	<u>(\$ 8,961)</u>	<u>\$ 2,302</u>	<u>\$ 69,562</u>

	<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
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)	-	-
Tax 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	-	-
Unrealized gains on valuation of financial assets and liabilities	- (	453)	- (	453)
Defined benefit obligation	( 2,465)	( 589)	( 1,097)	( 4,151)
	( 3,475)	( 32)	( 1,097)	( 4,604)
	<u>\$ 77,425</u>	<u>(\$ 107)</u>	<u>(\$ 1,097)</u>	<u>\$ 76,221</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, 2023

Year of occurrence	Amount declared/authorized	Amount yet to be offset	Unrecognized amount of deferred income tax assets	Last year of credit
2018	\$ 337,523	\$ 222,996	\$ 222,996	2028
2019	205,350	205,350	205,350	2029
2020	161,644	161,644	161,644	2030
2022	151,088	151,088	29,201	2032
2023	<u>84,510</u>	<u>84,510</u>	<u>-</u>	2033
	<u>\$ 940,115</u>	<u>\$ 825,588</u>	<u>\$ 619,191</u>	

December 31, 2022

Year of occurrence	Amount declared/authorized	Amount yet to be offset	Unrecognized amount of deferred income tax assets	Last year of credit
2018	\$ 337,523	\$ 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>\$ 844,030</u>	<u>\$ 729,503</u>	<u>\$ 547,127</u>	

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary difference	\$ <u>261,986</u>	\$ <u>236,255</u>

6. The tax collection authority has approved the Company's income tax for profit-seeking businesses up to 2021.

(XXIV) Loss per share

	<u>2023</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>			
Current net loss	(\$ <u>101,333</u> )	<u>144,548</u>	(\$ <u>0.70</u> )
	<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>			
Current net loss	(\$ <u>141,204</u> )	<u>144,548</u>	(\$ <u>0.98</u> )

(XXV) Supplementary information on cash flow

Investment activities with partial cash payment:

	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 28,290	\$ 85,366
Add: Payables for equipment, beginning	21,758	27,276
Less: Payables for equipment, ending	( 18,097)	( 21,758)
Cash paid in current period	<u>\$ 31,951</u>	<u>\$ 90,884</u>

	<u>2023</u>	<u>2022</u>
Acquisition of intangible assets	\$ 147,672	\$ -
Add: Premium payable, beginning	-	16,608
Long-term notes and accounts payable, beginning	-	-
Less: royalty payable, ending	( 33,776)	-
Long-term notes and accounts payable, ending	( 46,057)	-
Cash paid in current period	<u>\$ 67,839</u>	<u>\$ 16,608</u>

(XXVI) Changes in liabilities from financing activities

	<u>2023</u>	<u>2022</u>
	<u>Lease liabilities</u>	<u>Short-term borrowings</u>
		<u>Lease liabilities</u>

January 1	\$	2,477	\$	52,003	\$	361
Net decrease in short-term borrowings		-	(	52,003)		-
Repayment of lease principal	(	1,045)		-	(	1,045)
Other non-cash changes		-		-		3,161
December 31	\$	<u>1,432</u>	\$	<u>-</u>	\$	<u>2,477</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.	Other related party
Kunshan Fu Cheng Ke Precision Electronics Co., Ltd. (Kunshan Fu Cheng Ke)	"
Sharp Corporation (Sharp)	"
Sharp Hong Kong Limited. (SHK)	"
Sharp Manufacturing Corporation (M) Sdn. Bhd. (SMM)	"
Epileds Technologies, Inc. (Epileds Technologies)	"
SDP Global (China) Co.,Ltd. (SDP Global)	"
ELUX, Inc.	Affiliated companies

Note: Hon Hai Precision Ind. Co., Ltd. and its consolidated entities were originally entities with significant influence over the Company. However, considering the current shareholding ratio and the fact that they do not hold any director positions in the Company, it was evaluated that they no longer have significant influence over the Company. Therefore, in the second quarter of 2023, they were reclassified as other related parties of the Company.

### (II) Significant transactions with related parties

#### 1. Operating revenue

	<u>2023</u>	<u>2022</u>
Sales of goods:		
- Entities with significant influence on the Company		
Hon Hai	\$ 33,832	\$ 263,114
- Subsidiaries		
Zhan Jing	244,792	326,949
Asphetek Solution	1	-
- Other related party		
Hon Hai	172,852	-
Others	<u>52,170</u>	<u>91,814</u>
	<u>\$ 503,647</u>	<u>\$ 681,877</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>2023</u>	<u>2022</u>
Purchase of goods:		
- Entities with significant influence on the Company	\$ 3,211	\$ 9,634
- Subsidiaries	99,698	102,004
- Other related party	<u>16,542</u>	<u>14,669</u>
	<u>\$ 119,451</u>	<u>\$ 126,307</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, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
- Entities with significant influence on the Company		
Hon Hai	\$ -	\$ 67,138
- Subsidiaries		
Zhan Jing	149,975	173,105
- Other related party		
Hon Hai	72,038	-
Others	<u>20,870</u>	<u>8,820</u>
	242,883	249,063
Less: Allowance for losses	<u>( 938)</u>	<u>( 574)</u>
	<u>\$ 241,945</u>	<u>\$ 248,489</u>
Other receivables:		
- Subsidiaries		
Asphetek Solution	\$ 3,718	\$ 259
Others	27	
- Other related party	<u>74</u>	<u>194</u>
	<u>\$ 3,819</u>	<u>\$ 453</u>

#### 4. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
- Entities with significant influence on the Company	\$ -	\$ 1,108
- Subsidiaries		
Zhan Jing	39,437	37,223
- Other related party	<u>4,238</u>	<u>3,148</u>
	<u>\$ 43,675</u>	<u>\$ 41,479</u>
Other payable:		
- Other related party	<u>\$ -</u>	<u>\$ 1,211</u>

#### 5. Property transactions

##### Acquisition of financial assets

				<u>2023</u>
	<u>Items in the account</u>	<u>Quantity of shares traded (thousand shares)</u>	<u>Subject of the transaction</u>	<u>Proceeds received</u>
Subsidiary				
- Asphetek Solution	Investment under equity method	10,000	Shares	<u>\$ 100,000</u>
				<u>2022</u>
	<u>Items in the account</u>	<u>Quantity of shares traded (thousand shares)</u>	<u>Subject of the transaction</u>	<u>Proceeds received</u>
Subsidiary				
- Asphetek Solution	Investment under equity method	4,200	Shares	<u>\$ 42,000</u>

6. Research expenses (listed as research expenses)

	<u>2023</u>		<u>2022</u>
Other related party	\$	-	\$ 1,154

7. Rental income (stated as other income)

	<u>2023</u>	<u>2022</u>
Subsidiary	\$ 201	\$ -
Affiliated companies	803	795
Other related party	<u>840</u>	<u>840</u>
	<u>\$ 1,844</u>	<u>\$ 1,635</u>

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

8. Others

In 2023, the manpower support provided to the subsidiary, Asphetek, by the Company, amounted to NT\$3,133, which was recognized as a deduction of salaries.

(III) Remuneration to the management

	<u>2023</u>	<u>2022</u>
Salary and other short-term employee benefits	\$ 9,098	\$ 8,958
Benefits after retirement	<u>101</u>	<u>108</u>
	<u>\$ 9,199</u>	<u>\$ 9,066</u>

VIII. Pledged assets

<u>Assets</u>	<u>Book value</u>		<u>Purpose of guarantee</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Refundable deposits (listed in other non-current assets - others)	<u>\$ 1,511</u>	<u>\$ 1,511</u>	Performance bond

IX. Material contingent liabilities and unrecognized contractual commitments.

(I) Contingencies

None.



(II) Commitments

1. Capital expenditure contracted but not incurred

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant, and equipment	\$ <u>5,687</u>	\$ <u>9,126</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 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, 2023</u>	<u>December 31, 2022</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>5,670</u>	\$ <u>3,980</u>
Financial assets at FVTOCI		
Investment in selected equity instruments	\$ <u>205,954</u>	\$ <u>140,932</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,107,702	\$ 1,215,940
Accounts receivable	346,263	242,191
Accounts receivable - related parties	241,945	248,489
Other receivables	27,714	28,217
Refundable deposits (listed in other non-current assets - others)	<u>1,511</u>	<u>1,511</u>
	\$ <u>1,725,135</u>	\$ <u>1,736,348</u>

Advanced Optoelectronic Technology Inc.

R&D expenses

January 1, 2023 to December 31, 2023

Statement XIII

Unit: NT\$ Thousand

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	\$ <u>1,161</u>	\$ <u>1,714</u>
Financial liabilities measured at amortized cost		
Accounts payable	\$ 306,522	\$ 248,965
Accounts payable - related parties	43,675	41,479
Other payables	241,300	203,276
Other payables - related parties	-	1,211
Long-term notes and payables	46,057	-
	\$ <u>637,554</u>	\$ <u>494,931</u>
Lease liabilities	\$ <u>1,432</u>	\$ <u>2,477</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 6 (2).

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.

Advanced Optoelectronic Technology Inc.

R&D expenses

January 1, 2023 to December 31, 2023

Statement XIII

Unit: NT\$ Thousand

- 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, 2023</u>		
		<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
		<u>(\$ in thousand)</u>		<u>NTD Thousands</u>
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	18,335	30.7050	\$ 562,976
RMB: NTD		35,097	4.3270	151,865
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	11,062	30.7050	\$ 339,659
Japanese Yen: NTD		87,711	0.2172	19,051
RMB: NTD		9,491	4.3270	41,068
<u>December 31, 2022</u>				
		<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
		<u>(\$ in thousand)</u>		<u>NTD Thousands</u>
<b>(Foreign currency: Functional currency)</b>				
<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

Advanced Optoelectronic Technology Inc.

R&D expenses

January 1, 2023 to December 31, 2023

Statement XIII

Unit: NT\$ Thousand

- 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\$4,268 and NT\$27,449 in 2023 and 2022, respectively.
- F. The risk analysis of the Company's foreign currency market due to the impact of significant exchange rate fluctuations is as follows:

2023

Sensitivity analysis

	Range of change		Impact on profit and loss		Impact on other comprehensive income
<b>(Foreign currency: Functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	1%	\$	5,630	\$	-
RMB: NTD	1%		1,519		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	1%	\$	3,397	\$	-
Japanese Yen: NTD	1%		191		-
RMB: NTD	1%		411		-

2022

Sensitivity analysis

	Range of change		Impact on profit and loss		Impact on other comprehensive income
<b>(Foreign currency: Functional currency)</b>					
<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		-

Advanced Optoelectronic Technology Inc.

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Unit: NT\$ Thousand

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 2023 and 2022 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\$2,060 and NT\$1,409, respectively.

Cash flow and fair value interest rate risk

The Company does not hold borrowings with floating interest rates, so there is no significant exposure to cash flow and interest rate risk of fair value.

(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.

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- 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, 2023 and 2022, 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, 2023 and 2022 were NT\$213,865 and NT\$182,366, respectively, and the loss allowance was NT\$127 and NT\$19, 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, 2023 and 2022, is as follows:

<u>December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	1.01%	\$ 374,572	\$ 3,783
Within 30 days of overdue	38.44%	<u>5,981</u>	<u>2,300</u>
		<u>\$ 380,553</u>	<u>\$ 6,083</u>

<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>

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

	<u>2023</u>	<u>2022</u>
January 1	\$ 2,321	\$ 6,885
Provision (reversal) of impairment loss	<u>3,889</u>	<u>(4,564)</u>
December 31	<u>\$ 6,210</u>	<u>\$ 2,321</u>

Among the provisions (reversed) of losses in 2023 and 2022, the (reversed) provision for impairment of receivables generated from contracts with customers amounted to NT\$3,889 and (NT\$4,564), respectively.

- (3) Liquidity risk

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Unit: NT\$ Thousand

- 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, 2023</u>	Less than 1 year	1 to 2 years	2 to 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 350,197	\$ -	\$ -	\$ 350,197
Other payable accounts (including related party)	241,300	-	-	241,300
Long-term notes and payables	-	33,776	12,281	46,057
Lease liabilities	1,092	364	-	1,456
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 1,161	\$ -	\$ -	\$ 1,161
<u>December 31, 2022</u>	Less than 1 year	1 to 2 years	2 to 5 years	Total
<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

(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

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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 emerging stocks and 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 payables (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 Company's assets and liabilities. The relevant information is as follows:

December 31, 2023	<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	\$ -	\$ 5,670	\$ -	\$ 5,670
Financial assets at FVTOCI				
Equity securities	<u>144,489</u>	<u>61,465</u>	<u>-</u>	<u>205,954</u>
	<u>\$ 144,489</u>	<u>\$ 67,135</u>	<u>\$ -</u>	<u>\$ 211,624</u>

Liabilities

Repeated fair value

Financial liabilities measured at fair value through profit or loss

Forward Exchange Contract	<u>\$ -</u>	<u>\$ 1,161</u>	<u>\$ -</u>	<u>\$ 1,161</u>
---------------------------	-------------	-----------------	-------------	-----------------

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>



Advanced Optoelectronic Technology Inc.

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Unit: NT\$ Thousand

\$ 122,036   \$ 3,980   \$ 18,896   \$ 144,912

Liabilities

Repeated fair value

Financial liabilities measured at  
fair value through profit or loss

Forward Exchange Contract    \$           -   \$       1,714   \$           -   \$       1,714

(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 2023 and 2022.

5. The following table shows the changes in Class III in 2023 and 2022:

<u>2023</u>	<u>2022</u>
<u>Equity instruments</u>	<u>Equity instruments</u>

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Unit: NT\$ Thousand

	\$	18,896	\$	-
January 1				
Profit or loss recognized in other comprehensive income				
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income		9,470	(	1,136)
Transfer out of Class III:	(	28,366)		-
Purchases in the current period		-		20,032
December 31	\$	-	\$	18,896

6. Due to the Company's Class III equity instrument being listed on the Emerging Stock Market in November 2023, the trading volume began to increase steadily, resulting in sufficient observable market information becoming available. Consequently, at the end of the month in which this event occurred, the Company transferred the fair value measurement of this instrument from Class III to Class II. There was no transfer in or out from Class III in 2022.
  
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:

Advanced Optoelectronic Technology Inc.

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January 1, 2023 to December 31, 2023

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Unit: NT\$ Thousand

	December 31, 2022 Fair value	Evaluation technology	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed stocks of TWSE/GTSM	\$ 18,896	Comparable TWSE/GTSM listed stocks	Note 1	1.80	Note 2

December 31, 2023: no such situation

Note 1: P/E multiplier, discount for the lack of market liquidity.

Note 2: The higher the multiplier, the higher the fair value; the higher the discount for the lack of market liquidity the lower 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 6 (2).
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.

Advanced Optoelectronic Technology Inc.

R&D expenses

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Statement XIII

Unit: NT\$ Thousand

(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. Department information

Not applicable.

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Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities)

December 31, 2023

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	9,937	0.15%	9,937	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	8,130	134,552	8.10%	134,552	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	61,465	4.86%	61,465	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, 2023

Unit: NT\$ Thousand

(unless otherwise stated)

Table 2

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 Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	Sales volume	\$ 244,792	13	O/A with net 120 days	-	-	\$ 149,975	25	Note 1	
Advanced Optoelectronic Technology Inc.	HON HAI PRECISION IND. CO., LTD.	Other related party	Sales volume	206,684	11	O/A with net 120 days	-	-	72,038	12	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, 2023

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 Parties		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	\$ 149,975	1.52	\$ 51,359	Enhancement of collection service	\$ 45,816	\$ -

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, 2023

Table 4

Unit: NT\$ Thousand  
(unless otherwise stated)

Serial number (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	\$ 244,792	Note 4	12.41
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Purchase volume	99,698	Note 4	5.05
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts receivable	149,975	Note 4	4.47
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts payable	39,437	Note 4	1.17

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, 2023

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	\$ 63,068	(\$ 13,012)	(\$ 13,012)	Subsidiary
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc.	Taiwan	Manufacture and sale of electronic components	142,000	42,000	14,200	47.33	95,530	91,088	( 44,799)	Subsidiary
Advanced Optoelectronic Technology Inc.	ELUX, Inc.	USA	Development of micro LED displays	91,188	91,188	283	25.94	-	( 63,835)	-	Investee companies evaluated under the equity method
Advanced Optoelectronic Technology Holding Ltd.	AOT Holding Ltd.	Samoa	Investments in various businesses	67,632	67,632	2,250	100	64,185	( 13,013)	-	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 investment gains and losses that must be recognized in accordance with the regulations for its investment.

Advanced Optoelectronic Technology Inc.  
Investment in Mainland China - Basic Information  
January 1 to December 31, 2023

Unit: NT\$ Thousand  
(unless otherwise stated)

Table 6

Name of investees in Mainland China	Main Business	Paid-in capital	Method of investment (Note 1)	Accumulated Investment Amount from Taiwan at Beginning of Period	Investment amount exported or recovered in the current period		Accumulated Investment Amount from Taiwan at End of period	Profit or loss of the investee	The Company's direct or indirect shareholding(%)	Investment income recognized in the current period Note 2	Book value of investment at ending period	Investment income received in the current period	Remarks
					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	(\$ 13,019)	100%	(\$ 13,019)((2)B)	\$ 65,543	\$ -	
Asphetek Solution (Chengdu) Inc.	Manufacture and sale of electronic components	63,870	(1)	-	63,870	-	63,870	( 4,742)	47.33%	(2,244)((2)B)	57,250	-	
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)	-	-	-	-	-	-	
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)	-	-	-	-	21,487	20%	4,299 ((2)B)	6,222	3,517	
<u>Company name</u>	<u>Accumulated investment from Taiwan to Mainland China at end of period</u>	<u>Investment Amount Approved by Investment Commission, MOEA</u>	<u>Upper limit of investment to Mainland China approved by the Investment Commission, MOEA</u>										
Advanced Optoelectronic Technology Inc.	\$ 63,698	\$ 65,402	\$ 1,551,472										
		(USD: 2,130thousand)											
Asphetek Solution Inc.	63,870	138,173	121,094										
		(USD: 4,500 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 China through a third country company (please specify the investment company in the third country): Reinvestment in China through AOT Holding Ltd. Reinvestment in China.
- (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 accounting 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.  
Information of major shareholders

December 31, 2023

Table 7

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
Hua Zhun Investment Co., Ltd.	7,672,000	5.30%
BAO XIN INTERNATIONAL INVESTMENTS LIMITED	7,664,000	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.