



Stock Code : 3437

Advanced Optoelectronic Technology Inc.

# 2024 Annual Shareholders' Meeting

## Meeting Agenda

(Translation)

Meeting Date : Jun.27, 2024

Meeting Place : No.13, Gongye 5<sup>th</sup> Rd., Hukou Industrial Park, Hsinchu  
County, Taiwan, ROC.

Meeting Method : Physical meeting

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-----Disclaimer-----

THIS IS A TRANSLATION OF THE HANDBOOK FOR 2024 ANNUAL SHAREHOLDERS’ MEETING OF ADVANCED OPTOELECTRONICS TECHNOLOGY INC. THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

## **Advanced Optoelectronic Technology Inc.**

### **Procedure for 2024 Annual Shareholders' Meeting**

1. Report the Number of Shares of attendance
2. Call the Meeting to Order
3. Chairman's Address
4. Report Items
5. Approval Items
6. Discussion Items
7. Extemporaneous and Motions
8. Adjournment

**Advanced Optoelectronic Technology Inc.**  
**2024 Annual Shareholders' Meeting**  
**Meeting Agenda**

(Translation)

Time : 9:00a.m., Jun 27, 2024(Thursday)

Place : No.13, Gongye 5th Rd., Hukou Industrial Park, Hsinchu County, Taiwan, ROC  
(Advanced Optoelectronic Technology Inc.)

Meeting Method : Physical meeting

Attendee : All shareholders and their representatives

Chairman's Address :

I. Report Items

1. 2023 Business report
2. Audit Committee's review report
3. Report on Significant Transactions with Related Parties.

II. Approval Items

1. Adoption of 2023 Business Report and Financial Statements
2. Adoption of the Proposal for 2023 Deficit Compensation

III. Discussion Items

1. To revise "Procedures for Acquisition and Disposal of Assets" of the Company

IV. Extemporaneous and Motions

V. Adjournment

## I. Report Items

Report item 1 :

Subject : 2023 Business Report

Description : (1) 2023 Business Report is attached on page 7-9, Attachment 1.  
(2) 2023 Financial Statements are attached on page 11-33, Attachment 3.

Report item 2 :

Subject : Audit Committee's review report

Description : Audit Committee's review report is attached on page 10, Attachment 2.

Report item 3 :

Subject : Report on Significant Transactions with Related Parties

Description : (1) In order to 「Rules Governing Financial and Business Matters Between this Corporation and its Related Parties」 article 10 stipulates that significant transactions with related parties should be reported at the most recent shareholders' meeting.

(2) Significant transactions with related parties:

(2.1) The actual transaction amount and conditions are as follows:

Unit: NTD thousand

Sales	Approved by the Board on December 21, 2023			Actual figures for the 2023			Transaction terms
	Estimated Consolidated total property of 12/31	Estimated annual transaction amount	Percentage of revenue	Consolidated total property of 12/31	Annual transaction amount	percentage of revenue	
Consolidated total property/revenue	3,566,635	2,000,000	100.00%	3,356,485	1,972,624	100.00%	-
Foxconn	-	234,530	11.73%	-	206,683	10.48%	120days E O M
Nanjing SHARP	-	116,000	5.80%	-	112,616	5.71%	90days E O M

(2.2) Was the transaction conducted in accordance with the pricing principles approved by the Board of Directors? Yes.

(2.3) Whether it exceeds the annual transaction amount limit approved by the board of directors? : Yes.

## II. Approval Items

Proposal 1 : ( Proposed by the Board of Directors )

Subject : Adoption of the 2023 Business Report and the Financial Statements.

Description : (1) 2023 Financial Statements were audited by CPA Lin, Po-Chuan and Chang, Shu-Chiung of Pricewaterhousecoopers with unqualified opinions.

(2) Business Report was approved by Audit Committee & the Board of Directors, and Audit Committee has signed the Review Report accordingly. Business Report ,Independent Auditor's Report and Financial Statements please refer to attachment I (pages 7-9) and attachment III (pages 11-31).

(3) Resolution.

Resolution :

Proposal 2 : ( Proposed by the Board of Directors )

Subject : Adoption of the Proposal for 2023 deficit compensation

Description : (1) The proposal for 2023 deficit compensation has been approved by Audit Committee & the Board of Directors, and Audit Committee has signed the Review Report accordingly.

(2) Resolution.

Advanced Optoelectronic Technology Inc.  
Statement of Deficit Compensation  
Fiscal Year 2023

UNIT : NTD

Items	Amount
Unappropriated retained earnings of previous years	0
Add : Adjustment of 2022 retained earnings	2,302,039
Adjusted retained earnings of previous years	2,302,039
Less : Net loss of 2022	( 101,333,481 )
Deficit for Compensation of 2022	( 99,031,442 )
Compensation items:	
Add : Legal Reserve	99,031,442
Deficit for Compensation in the end of the year	0

Chairman : Fang, Jung-Hsi    General Manager : Fang, Jung-His    Chief Accounting Officer : Cheng, Chen-Hsun

Resolution :

### **III. Discussion Items**

Proposal 1 : ( Proposed by the Board of Directors )

Subject : To revise the Procedures for Acquisition and Disposal of Assets of the Company

Description : (1) In order to align with the practical operations of the company, it is proposed to amend the Procedures for Acquisition and Disposal of Assets of the Company. The Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision is on page 34~39, Attachment 4.

(2) Resolution.

Resolution :

### **IV. Extemporary and Motions**

### **V. Adjournment**

## **Advanced Optoelectronic Technology Inc.**

### **2023 Business Report**

2023 was a year of twists and turns. The war between Russia and Ukraine has not stopped yet, and the Israel– Hamas conflict broke out. The conflict incurs the tension in the Middle East, volatile oil prices, and a crisis in the Red Sea, which has led to the diversion of merchant ships, the increase of transportation times and costs, and the disruption of global supply chains. In China, the housing market is sluggish, the outflow of supply chain continues, and the foreign capital outflow sustains. The economic recovery has not been as good as expected. To combat inflation, the U.S. Federal Reserve has raised interest rate continuously to the highest level in these 20 years. But the private consumption remains strong. According to the forecast of World Bank, the global growth has declined from 3.5% in 2022 to 3.1% in 2023. Meanwhile, the intensification of competition between the world's top two economies, the U.S. and China, continues and the enhancement or decline in relationship of OPEC and the emerging countries between the two countries will affect the future situation.

Trendforce estimates that TV shipments declined by 2.1% in 2023 due to the impacts from the weak economy. Affected by sharp inflation and high inventory, the demand for notebook was sluggish, and the shipments decreased by 10.8%, but the decline was narrowed down in 2023 compared with 2022. Smartphone shipments declined by 2.1% year-on-year due to weak terminal demand which was incurred from China's slower than expected post-pandemic recovery and global high inflation. Among the wearable devices, the shipments of smart watches increased slightly by 1.7% due to the overall weak economy, and the shipments of low-price smart bracelets, replaced by watches gradually, dropped by 37.7% year-on-year. The shipments of VR/AR device recovered to grow by 4.6% in 2023 compared with the decrease of 7.6% in 2022. According to S&P Global Mobility statistics, the global automotive sales increased by 2.8% in 2023. Due to the weak economy, automakers attempted to increase their sales through price cuts, and the price competition in the auto market has also led to a significant decline in automotive LED prices; In general, the LED backlight industry has declined significantly due to the sluggish consumer market, which has also greatly affected the Company's operations. In 2023, the revenue was reduced to NT\$1.88 billion, the gross profit was NT\$350 million, and the loss per share was NT\$0.7.

2024 will not be a peaceful year, too. Globally, there will be 4.2 billion people to hold over 70 national elections. Especially, the US presidential election in November, the U.S will approach the path of protectionism more, and the geopolitical risks will be higher. At the same time, unresolved shipping risks, disruptions of global supply chain, volatile energy prices, declining but still high-level inflation, and global geopolitical tensions and regional military conflicts have further hampered economic development. The World Bank forecasts that global growth will be 3.1% in 2024, approximately the same as in 2023. The U.S. is expected to grow by 2.1%, China is expected to grow by 4.6% and both numbers are lower than 2023. Eurozone is expected to grow to 0.9% this year from 0.5% in 2023. The growth of advanced economics is projected to 1.5% and the growth of developing economics is 4.1%. The above of two numbers were slightly lower than and the same as in 2023.

As far as the LED industry is concerned, TrendForce predicts that in 2024, due to large-scale events such as the Paris Olympics and the European Cup, global TV shipments are expected to increase by 3.4% and the shipment dimensions are also expected to increase by



8.6% because of the expansion of product size. With the gradual destocking of the world's major notebook manufacturers, the slowdown in inflation, and the withdrawal of Microsoft's operating system Windows 10, the system upgrade of enterprise users is expected to drive the replacement of notebook and commercial displays, and the notebook market is expected to grow moderately, with an annual growth rate of about 3.6% in shipments. In terms of smartphone, shipments are expected to grow by only 3.0% due to the continuous extension of the replacement cycle by consumers, although the inventory is gradually decreasing. Among wearable devices, smart watches are still expected to have new product launches to drive a slight growth of about 1.2%, and smart bracelets continue to decline but the decline narrows to 19%. The VR/AR devices are expected to grow by only 2.8% due to the limited disposable income and service contents. For automotive, global vehicle sales are expected to grow, with electric vehicles growing by 29.8%. The Company's 2023 operation overview and 2024 business plan are stated as follows:

I. 2023 Operational Implementation Overview

(I) Implementation results of business plan

In 2023, the Company's net revenue was NT\$1.88 billion, gross operating profit was NT\$350 million, operating loss was NT\$70 million, and the current net loss was NT\$100 million, and the net loss per share after tax is NT\$0.7.

Unit: NT\$ Thousand

Item	2023		2022	
	Amount	%	Amount	%
Operating revenues	1,879,310	100%	2,186,918	100.0%
Gross profit	349,726	18.5%	243,055	11.1%
Operating income (loss)	(66,403)	(3.5%)	(162,411)	(7.4%)
Net income (loss)	(101,333)	(5.4%)	(141,204)	(6.5%)

(II) State of operating income and expense

The Company's net cash outflow was NT\$108 million in 2023, and there is NT\$1.11 billion in cash at the end of the period. The funds were considered sufficient.

Unit: NT\$ Thousand

Item	2023	2022	Difference
Net cash inflow (outflow) from operating activities	92,659	262,441	(169,782)
Net cash inflow (outflow) from investing activities	(199,852)	(221,229)	21,377
Net cash inflow (outflow) from financing activities	(1,045)	(118,095)	117,050
Current cash and cash equivalents increase (decrease)	(108,238)	(76,883)	(31,355)

(III) Status of budget implementation

The Company did not disclose financial forecasts in 2023; therefore, it is not necessary to disclose the implementation status.

(IV) Profitability analysis

The entire year's loss per share after tax in 2023 was NT\$0.7.

(V) Research and development status

In 2023, a total of NT\$71,950 thousands were spent in R&D, representing 3.8% of the operating revenue for the year, and increase as previous year. The R&D achievements in 2023 include the development of the following: Small-sized, thin, and high-efficiency backlighting LED components, High-efficiency TV backlighting LED components and modules, LED components for Head-Up Display for automotive applications and Head Mounted Display, Thin, small-sized semiconductor packaging, Mini LED components

and modules for automotive backlighting, LED headlight, taillight, sidelight components and modules for automotive applications, LED components and modules for AR glasses projection illumination, digital proximity sensing component for mobile phone, etc.

## II. Business plan and management policy in 2024

Looking forward to 2024, despite the uncertain economic prospects, niche markets such as AI applications and electric vehicles are still growing rapidly, and inventories in supply chain are gradually depleting. The company has invested in Mini LED backlight driver circuit and local dimming algorithm solution, and added LED backlight module product projects, including automotive, e-sports laptops, industrial control, TV and BG dual crystal high discoloration industrial control backlight modules, etc. And the company will continue to expand the market size of automotive Mini LED backlight and sensing components in smart phones, smart watches, and so on to contribute revenue and profit. In terms of new applications, the development of AR, VR, thin, small-sized semiconductor packaging and sensing products will continue, and the focus will be on the dual themes of metaverse and self-driving cars that will be developed and verified together with customers in preparation for future growth.

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

Chairman: Fang, Jung-Hsi    General Manager: Fang, Jung-Hsi    Chief Accounting Officer : Cheng, Chen-Shun

**Advanced Optoelectronic Technology Inc.**  
**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 business report, financial statements and the proposal for deficit compensation. CPA Lin, Po-Chuan and Chang, Shu-Chiung of Pricewaterhousecoopers have audited the financial statements and expressed unqualified opinions. The business report, financial statements and the proposal for deficit compensation have been reviewed by the Audit Committee and no irregularities are found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To

Annual Shareholders' Meeting of the Company in 2024

**Advanced Optoelectronic Technology Inc.**

Committee:

Chairman of the Audit

Liu, Shi-Heh  
May 9, 2024

## **Independent Auditors' Report**

(2024) Cai-Shen-Bao-Zi No. 23004755

To: Advanced Optoelectronic Technology Inc.

### **Audit opinion**

We have audited the accompanying consolidated balance sheet of Advanced Optoelectronic Technology Inc. and its Subsidiaries (“Advanced Optoelectronic Technology Group”) as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated changes in equity and cash flow for the years then ended, and the notes to the consolidated financial statements, (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Optoelectronic Technology Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC).

### **Basis for audit opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are Independent of the Advanced Optoelectronic Technology Group in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements of the Advanced Optoelectronic Technology Group for the year ending December 31st, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the 2023 consolidated financial statements of Advanced Optoelectronic Technology Group are as below:

### **Inventory valuation**

#### Description of matters

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

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

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

#### Corresponding audit procedures

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

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

## **Other Matters - Parent Company Only Financial Statements**

Advanced Optoelectronic Technology Inc. has prepared the parent company only financial statements for 2023 and 2022. We have issued an independent Auditors' Report with an unmodified opinion for reference.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended December 31, 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. and its Subsidiaries  
Consolidated 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)	\$ 1,388,432	42	\$ 1,383,056	43
1110	Financial assets at fair value through profit or loss (FVTPL) - Current	VI (II)	5,670	-	3,980	-
1140	Contract assets - current		-	-	1,171	-
1150	Notes receivable, net	VI (III)	9,619	-	25,179	1
1170	Accounts receivable, net	VI (III)	439,951	13	330,420	10
1180	Accounts receivable - related parties, net	VI (III) and VII	133,332	4	122,924	4
1200	Other receivables	VI (IV) and VII	24,657	1	54,459	2
1220	Current income tax assets		1,694	-	562	-
130X	Inventory	VI (V)	178,789	5	163,734	5
1410	Prepayments		20,928	1	12,922	-
1479	Other current assets - others		1,182	-	233	-
11XX	<b>Total of current assets</b>		<u>2,204,254</u>	<u>66</u>	<u>2,098,640</u>	<u>65</u>
<b>Non-current assets</b>						
1517	Financial assets at FVTOCI - non-current	VI (VI)	205,954	6	140,932	4
1550	Investment under equity method	VI (VII)	6,222	-	5,554	-
1600	Property, plant, and equipment	VI (VIII)	701,929	21	824,517	26
1755	Right-of-use assets	VI (IX)	41,244	1	34,309	1
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	5,472	-	5,517	-
15XX	<b>Total non-current assets</b>		<u>1,152,231</u>	<u>34</u>	<u>1,121,398</u>	<u>35</u>
1XXX	<b>Total assets</b>		<u>\$ 3,356,485</u>	<u>100</u>	<u>\$ 3,220,038</u>	<u>100</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries  
Consolidated 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	VI (II)	\$ 1,161	-	\$ 1,714	-
2130	Contract liabilities - current	VI (XVIII)	-	-	112	-
2170	Accounts payable		359,793	11	331,828	10
2180	Accounts payable - related parties	VII	4,239	-	4,256	-
2200	Other payables	VI (XII)	287,695	9	248,566	8
2220	Other payables - related parties	VII	2,865	-	6,913	-
2230	Current income tax liabilities		-	-	979	-
2280	Lease liabilities - current		18,281	1	10,922	-
2399	Other current liabilities - others		15,590	-	46,697	2
21XX	<b>Total of current liabilities</b>		<u>689,624</u>	<u>21</u>	<u>651,987</u>	<u>20</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	VI (XXIII)	7,055	-	4,604	-
2580	Lease liabilities - non-current		27,962	1	23,826	1
2610	Long-term notes and payables	VI (XIII)	46,057	1	-	-
25XX	<b>Total of non-current liabilities</b>		<u>81,074</u>	<u>2</u>	<u>28,430</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>770,698</u>	<u>23</u>	<u>680,417</u>	<u>21</u>
<b>Equity</b>						
Share capital						
3110	Common stock share capital	VI (XV)	1,445,480	43	1,445,480	45
Capital Surplus						
3200	Capital Surplus	VI (XVI)	956,609	28	954,265	29
Retained earnings						
3310	Legal reserves	VI (XVII)	168,696	5	195,549	6
3350	Losses to be compensated		( 99,031)	( 3)	( 26,853)	( 1)
Other equity						
3400	Other equity		7,739	1	( 54,736)	( 1)
31XX	<b>Total equity attributable to parent company shareholders</b>		<u>2,479,493</u>	<u>74</u>	<u>2,513,705</u>	<u>78</u>
36XX	<b>Non-controlling equity</b>		<u>106,294</u>	<u>3</u>	<u>25,916</u>	<u>1</u>
3XXX	<b>Total equity</b>		<u>2,585,787</u>	<u>77</u>	<u>2,539,621</u>	<u>79</u>
Significant Contingent Liabilities and Unrecognized Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,356,485</u>	<u>100</u>	<u>\$ 3,220,038</u>	<u>100</u>

The attached notes to the consolidated financial reports are part of this consolidated 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. and its Subsidiaries  
Consolidated 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	\$ 1,972,624	100	\$ 2,410,672	100
5000	Operating cost	VI (V) (XXII) and VII	( 1,590,023)	( 80)	( 2,103,304)	( 87)
5900	Gross profit		<u>382,601</u>	<u>20</u>	<u>307,368</u>	<u>13</u>
	Operating expenses	VI (XXII)				
6100	Sales and marketing expenses		( 190,745)	( 10)	( 189,115)	( 8)
6200	Administrative expenses		( 226,795)	( 12)	( 217,378)	( 9)
6300	R&D expenses		( 127,531)	( 6)	( 82,078)	( 3)
6450	Expected credit impairment gain (loss)	XII (II)	( 3,292)	-	8,391	-
6000	Total operating expenses		<u>( 548,363)</u>	<u>( 28)</u>	<u>( 480,180)</u>	<u>( 20)</u>
6900	Operating loss		<u>( 165,762)</u>	<u>( 8)</u>	<u>( 172,812)</u>	<u>( 7)</u>
	Non-operating income and expense					
7100	Interest income		17,941	1	9,805	-
7010	Other income	VI (XIX) and VII	20,987	1	17,411	1
7020	Other gains and losses	VI (XX)	( 9,623)	( 1)	5,013	-
7050	Financial cost	VI (XXI)	( 6,043)	-	( 3,550)	-
7060	Share of the profit or loss of the affiliated companies and joint ventures under the equity method	VI (VII)	<u>4,299</u>	<u>-</u>	<u>3,059</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>27,561</u>	<u>1</u>	<u>31,738</u>	<u>1</u>
7900	<b>Net loss before tax</b>		<u>( 138,201)</u>	<u>( 7)</u>	<u>( 141,074)</u>	<u>( 6)</u>
7950	Income tax expenses	VI (XXIII)	( 9,421)	-	( 1,172)	-
8200	<b>Current net loss</b>		<u><u>(\$ 147,622)</u></u>	<u><u>( 7)</u></u>	<u><u>(\$ 142,246)</u></u>	<u><u>( 6)</u></u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries  
Consolidated 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	%	
<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		<u>66,892</u>	<u>3</u>	<u>( 71,221)</u>	<u>( 3)</u>
<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		( 2,990)	-	980	-
8370	Share of other comprehensive income of affiliates and joint ventures accounted for under the equity method - items that may be reclassified as income	VI (VII)	( 114)	-	238	-
8360	Total of items that may be reclassified subsequently to profit or loss		<u>( 3,104)</u>	<u>-</u>	<u>1,218</u>	<u>-</u>
8300	<b>Other comprehensive income (loss) after tax for current period</b>		<u>\$ 63,788</u>	<u>3</u>	<u>(\$ 70,003)</u>	<u>( 3)</u>
8500	<b>Total comprehensive loss for current period</b>		<u>(\$ 83,834)</u>	<u>( 4)</u>	<u>(\$ 212,249)</u>	<u>( 9)</u>
Net profit or loss attributable to:						
8610	Owner of the parent company		(\$ 101,333)	( 5)	(\$ 141,204)	( 6)
8620	Non-controlling equity		( 46,289)	( 2)	( 1,042)	-
			<u>(\$ 147,622)</u>	<u>( 7)</u>	<u>(\$ 142,246)</u>	<u>( 6)</u>
Total comprehensive income attributable to:						
8710	Owner of the parent company		(\$ 36,556)	( 2)	(\$ 211,207)	( 9)
8720	Non-controlling equity		( 47,278)	( 2)	( 1,042)	-
			<u>(\$ 83,834)</u>	<u>( 4)</u>	<u>(\$ 212,249)</u>	<u>( 9)</u>
Loss per share						
9750	Basic loss per share	VI (XXIV)	<u>(\$ 0.70)</u>		<u>(\$ 0.98)</u>	

The attached notes to the consolidated financial reports are part of this consolidated 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. and its Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NTS Thousand

		Equity attributable to owners of parent company												
		Capital Surplus				Retained earnings				Other 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	Total	Non-controlling equity	Total equity
Notes														
<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	\$ -	\$ 2,789,041
	Current net loss	-	-	-	-	-	-	-	( 141,204)	-	-	( 141,204)	( 1,042)	( 142,246)
	Other comprehensive income (loss)	-	-	-	-	-	-	-	4,386	1,218	( 75,607)	( 70,003)	-	( 70,003)
	Total comprehensive income (loss)	-	-	-	-	-	-	-	( 136,818)	1,218	( 75,607)	( 211,207)	( 1,042)	( 212,249)
	Appropriation and distribution of 2021 earnings:													
	Provision of legal reserve	-	-	-	-	-	-	19,446	( 19,446)	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	-	( 65,047)	-	-	( 65,047)	-	( 65,047)
	Disposal of investment under equity method	-	-	-	-	-	-	-	-	( 124)	-	( 124)	-	( 124)
	Recognition of changes in equity of subsidiaries	-	-	1,042	-	-	-	-	-	-	-	1,042	26,958	28,000
	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	\$ 25,916	\$ 2,539,621
<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	\$ 25,916	\$ 2,539,621
	Current net loss	-	-	-	-	-	-	-	( 101,333)	-	-	( 101,333)	( 46,289)	( 147,622)
	Other comprehensive income (loss)	-	-	-	-	-	-	-	2,302	( 2,115)	64,590	64,777	( 989)	63,788
	Total comprehensive income (loss)	-	-	-	-	-	-	-	( 99,031)	( 2,115)	64,590	( 36,556)	( 47,278)	( 83,834)
	Appropriation and distribution of 2022 earnings:													
	Legal reserve used to make up losses	-	-	-	-	-	-	( 26,853)	26,853	-	-	-	-	-
	Recognition of changes in equity of subsidiaries	-	-	2,344	-	-	-	-	-	-	-	2,344	127,656	130,000
	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	\$ 106,294	\$ 2,585,787

The attached notes to the consolidated financial reports are part of this consolidated 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. and its Subsidiaries  
Consolidated Statement of Cash Flow  
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		( \$ 138,201 )	( \$ 141,074 )
Adjustment items			
Income/expenses that do not affect cash flow			
Depreciation expenses	VI (XXII)	165,200	191,668
Amortized expenses	VI (X) (XXII)	42,121	26,328
Expected credit impairment loss (gain)	XII (II)	3,292	( 8,391 )
Losses on financial assets and liabilities at FVTPL	VI (II) (XX)	2,981	16,879
Interest expense	VI (XXI)	6,043	3,550
Interest income		( 17,941 )	( 9,805 )
Dividend income	VI (XIX)	( 313 )	( 3,075 )
Share of profit on affiliates accounted for using the equity method:	VI (VII)		
Losses from disposal of property, plant, and equipment	VI (XXI)	( 4,299 )	( 3,059 )
Gains on disposal of investment accounted for using equity method	VI (XXI)	-	461
Property, plant and equipment recognized as expenses		-	( 636 )
Impairment losses of property, plant and equipment	VI (VIII) (XI) (XX)	3,427	552
Gains on lease modification	VI (IX) (XX)	9,768	6,197
Changes in operating activities related assets/liabilities		( 704 )	-
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss (FVTPL) - Current		( 1,690 )	( 1,907 )
Contract assets - current		1,171	( 1,171 )
Notes receivable		15,560	( 21,471 )
Accounts receivable		( 112,954 )	624,474
Accounts receivable - related parties		( 10,628 )	181,228
Other receivables		30,139	( 4,490 )
Inventory		( 15,055 )	154,307
Prepayments		( 8,006 )	4,796
Other current assets - others		( 949 )	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		27,965	( 659,237 )
Accounts payable - related parties		( 17 )	( 16,634 )
Other payables		9,339	( 79,753 )
Other payables - related parties		( 4,048 )	979
Other current liabilities - others		( 31,107 )	31,030
Net defined benefit obligation		20,757	( 2,947 )
Cash inflow (outflow) from operations		( 11,795 )	269,819
Interest received		17,607	8,937
Dividends received		3,830	7,497
Interest paid		( 6,121 )	( 3,261 )
Income tax paid		( 2,568 )	( 12,830 )
Net cash inflow from operating activities		953	270,162

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries  
Consolidated Statement of Cash Flow  
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 )
Disposal of investment under equity method	VI (VII)	-	5,089
Acquisition of property, plant, and equipment	VI (XXVI)	( 45,755 )	( 112,415 )
Disposal of property, plant, and equipment		-	74
Acquisition of intangible assets	VI (XXVI)	( 67,839 )	( 16,608 )
Decrease in other non-current assets - others		415	3,459
Net cash outflow from investing activities		( 113,611 )	( 197,315 )
<u>Cash flow from financing activities</u>			
Net decrease in short-term borrowings	VI (XXVII)	-	( 52,003 )
Repayment of lease principal	VI (XXVII)	( 9,084 )	( 4,765 )
Distribution of cash dividends	VI (XVII) (XVIII)	-	( 65,047 )
Increase in non-controlling interests	VI (XXV)	130,000	28,000
Net cash outflow (inflow) from financing activities		120,916	( 93,815 )
Effect of exchange rate changes on cash and cash equivalents		( 2,882 )	961
Increase (decrease) in current cash and cash equivalents		5,376	( 20,007 )
Opening balance of cash and cash equivalents		1,383,056	1,403,063
Closing balance of cash and cash equivalents		\$ 1,388,432	\$ 1,383,056

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

Chairman : Fang, Jung Hsi

Manager : Fang, Jung-Hsi

Chief Accounting Officer: Cheng, Chen Hsun

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	VI (II)	\$ 1,161	-	\$ 1,714	-
2130	Contract liabilities - current	VI (XVIII)	-	-	112	-
2170	Accounts payable		306,522	10	248,965	8
2180	Accounts payable - related parties	VII	43,675	1	41,479	1
2200	Other payables	VI (XII)	241,300	8	203,276	7
2220	Other payables - related parties	VII	-	-	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	VI (XXIII)	7,055	-	4,604	-
2580	Lease liabilities - non-current		362	-	1,432	-
2610	Long-term notes and payables	VI (XIII)	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	VI (XV)	1,445,480	46	1,445,480	47
Capital Surplus						
3200	Capital Surplus	VI (XVI)	956,609	30	954,265	31
Retained earnings						
3310	Legal reserves	VI (XVII)	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 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 Net loss before tax		(92,372)	(5)	(141,097)	(7)
7950 Income tax expenses	VI (XXIII)	(8,961)	-	(107)	-
8200 Current net loss		(\$ 101,333)	(5)	(\$ 141,204)	(7)
<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	-
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 Other comprehensive income (loss) after tax for current period		\$ 64,777	3	(\$ 70,003)	(3)
8500 Total comprehensive loss for current period		(\$ 36,556)	(2)	(\$ 211,207)	(10)
Loss per share	VI (XXIV)				
9750 Basic loss per share			0.70		0.98

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 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	
<b>2022</b>												
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 VI (XVII) earnings:												
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
<b>2023</b>												
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 VI (XVII) earnings:												
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		92,659		262,441

(continued on next page)

Cash flows from investing activities

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			<u>370</u>		<u>14</u>
Net cash outflow from investing activities		(	<u>199,852</u> )	(	<u>221,229</u> )
<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)		<u>-</u>	(	<u>65,047</u> )
Net cash outflow from financing activities		(	<u>1,045</u> )	(	<u>118,095</u> )
Decrease in cash and cash equivalents for current period		(	<u>108,238</u> )	(	<u>76,883</u> )
Opening balance of cash and cash equivalents			<u>1,215,940</u>		<u>1,292,823</u>
Closing balance of cash and cash equivalents		\$	<u>1,107,702</u>	\$	<u>1,215,940</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.**  
Table Comparing the Original and the Amended Articles of  
“Procedures for Acquisition or Disposal of Assets”

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
3	<p>Total amounts of real property and right-of-use assets thereof for non-business use or securities acquired by the company and each subsidiary, and limits on individual securities.</p> <p>The restricted amount of the Company:</p> <ol style="list-style-type: none"> <li>1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 20% of the Company’s book value.</li> <li>2. The total amount of investment in securities shall not exceed 40% of the Company’s book value. The total amount of investment in individual security shall not exceed 40% of the Company’s book value.</li> </ol> <p>The restricted amount of the Subsidiaries</p> <ol style="list-style-type: none"> <li>1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 10% of the book value of the Subsidiary.</li> <li>2. The total amount of investment in securities shall not exceed 50% of the book value of the Subsidiary. The total amount of investment in individual security shall not exceed 50% of the book value of the Subsidiary. However if the Subsidiary is belong to the holding company or focuses on investing,</li> </ol>	<p>Total amounts of real property and right-of-use assets thereof for non-business use or securities acquired by the company and each subsidiary, and limits on individual securities.</p> <p>The restricted amount of the Company:</p> <ol style="list-style-type: none"> <li>1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 20% of the Company’s book value.</li> <li>2. The total amount of investment in securities shall not exceed 40% of the Company’s book value. The total amount of investment in individual security shall not exceed 40% of the Company’s book value.</li> </ol> <p>The restricted amount of the Subsidiaries</p> <ol style="list-style-type: none"> <li>1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 10% of the book value of the Subsidiary.</li> <li>2. The total amount of investment in securities shall not exceed <u>60</u>% of the book value of the Subsidiary. The total amount of investment in individual security shall not exceed <u>60</u>% of the book value of the Subsidiary. However if the Subsidiary is belong to the holding company or focuses on investing,</li> </ol>	Comply with the practice of the Company

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
	<p>the total amount of investment in securities shall not exceed 40% of the parent company's book value and the total amount of investment in individual security shall not exceed 40% of the parent company's book value.</p>	<p>the total amount of investment in securities shall not exceed 40% of the parent company's book value and the total amount of investment in individual security shall not exceed 40% of the parent company's book value.</p>	
4	<p>Limits of authorization and Operating Procedures</p> <p>The acquisition or disposal of the Company's assets shall be handled in accordance with the following limits and procedures :</p> <p>1. The acquisition or disposal of securities shall be executed after appraisal by the finance unit and approval by the board of directors (the Board). However if the transaction amount is not over NT\$ 250 million, the Board authorize the Chairmen to handle with and report to the Board later. If the Company acquires the repurchase agreement (RP), the reverse repo agreement (RRP) or domestic monetary fund with low risk and short term for short-term funds, the General Manager is authorized to handle the transaction not over NT\$ 100 million; and the Chairman is authorized to handle the transaction above NT\$ 100 million and report to the Board later. Since the maturity date of RP &amp;</p>	<p>Limits of authorization and Operating Procedures</p> <p>The acquisition or disposal of the Company's assets shall be handled in accordance with the following limits and procedures :</p> <p>1. The acquisition or disposal of securities shall be executed after appraisal by the finance unit and approval by the board of directors (the Board). However if the transaction amount is not over NT\$ 250 million, the Board authorize the Chairmen to handle with and report to the Board later. If the Company acquires the repurchase agreement (RP), the reverse repo agreement (RRP) or domestic monetary fund with low risk and short term for short-term funds, the General Manager is authorized to handle the transaction not over NT\$ 100 million; and the Chairman is authorized to handle the transaction above NT\$ 100 million and report to the Board later. Since the maturity date of RP &amp;</p>	Comply with the practice of the Company to amend wording

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
	<p>RRP has been determined at the time of acquisition and the domestic monetary fund is used as short-term funds, the financial officer is authorized to approve the disposal of RP, RRP and domestic monetary fund with unlimited amount.</p> <p>2. The acquisition or disposal of real property shall first be appraised by the in-charge person or project team indicated by the General Manager and then approved by the Board.</p> <p>3. The acquisition or disposal of right-of-use assets shall be carried out after the approval of General Manager.</p> <p>4. The acquisition or disposal of equipment and right-of-use assets thereof and memberships shall first be appraised and analyzed by the executing unit. The transaction amount <del>below</del> NT\$10 million is approved by the General Manager; the amount <del>below</del> NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board. However, if the assets here are for business use and the transaction party is not related party, the transaction shall follow the internal regulations. However, the</p>	<p>RRP has been determined at the time of acquisition and the domestic monetary fund is used as short-term funds, the financial officer is authorized to approve the disposal of RP, RRP and domestic monetary fund with unlimited amount.</p> <p>2. The acquisition or disposal of real property shall first be appraised by the in-charge person or project team indicated by the General Manager and then approved by the Board.</p> <p>3. The acquisition or disposal of right-of-use assets shall be carried out after the approval of General Manager.</p> <p>4. The acquisition or disposal of equipment and right-of-use assets thereof and memberships shall first be appraised and analyzed by the executing unit. The transaction amount <u>shall not exceed</u> NT\$10 million is approved by the General Manager; the amount <u>shall not exceed</u> NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board. However, if the assets here are for business use and the transaction party is not related party, the transaction shall follow the internal regulations. However,</p>	

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
	<p>transaction amount over NT\$300 million shall be reported to the Board.</p> <p>5. The acquisition or disposal of intangible and right-of-use assets thereof shall first be appraised and analyzed by the executing unit. The transaction amount <del>below</del> NT\$10 million is approved by the General Manager; the amount <del>below</del> NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board.</p> <p>6. The acquisition or disposal of derivatives shall be duly handled in accordance with the procedures set forth in Section Three.</p> <p>7. The acquisition or disposal of assets through mergers, spin off, acquisitions, or transfer of shares shall be duly handled in accordance with the procedures set forth in Section Four.</p> <p>When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding Paragraph, the Board shall take into full consideration of each independent director's opinions. If any independent director objects to or expresses reserved opinions about any matter, it shall be recorded in the minutes of</p>	<p>the transaction amount over NT\$300 million shall be reported to the Board.</p> <p>5. The acquisition or disposal of intangible and right-of-use assets thereof shall first be appraised and analyzed by the executing unit. The transaction amount <u>shall not exceed</u> NT\$10 million is approved by the General Manager; the amount <u>shall not exceed</u> NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board.</p> <p>6. The acquisition or disposal of derivatives shall be duly handled in accordance with the procedures set forth in Section Three.</p> <p>7. The acquisition or disposal of assets through mergers, spin off, acquisitions, or transfer of shares shall be duly handled in accordance with the procedures set forth in Section Four.</p> <p>When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding Paragraph, the Board shall take into full consideration of each independent director's opinions. If any independent director objects to or expresses reserved opinions about any matter, it shall be recorded in the minutes of</p>	

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
	the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.	the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.	
28	<del>The Company's personnel</del> participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.	<u>Every person</u> participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.	Comply with the practice of the Company to amend wording
36	These Procedures for Acquisition or Disposal of Assets were resolved on June 27, 2003. The first amendment was made on June 30, 2004. The second amendment was made on June 30, 2005. The third amendment was made on June 29, 2007. The fourth amendment was made on June 26, 2012. The fifth amendment was made on April 23, 2013. The sixth amendment was made on September 25, 2013.	These Procedures for Acquisition or Disposal of Assets were resolved on June 27, 2003. The first amendment was made on June 30, 2004. The second amendment was made on June 30, 2005. The third amendment was made on June 29, 2007. The fourth amendment was made on June 26, 2012. The fifth amendment was made on April 23, 2013. The sixth amendment was made on September 25, 2013.	Add the amending date

Article No.	Original Article (or portion thereof)	Amended Article (or Portion thereof)	Explanation
	<p>The seventh amendment was made on June 12, 2014.</p> <p>The eighth amendment was made on June 22, 2017.</p> <p>The ninth amendment was made on June 22, 2018.</p> <p>The tenth amendment was made on June 25, 2019.</p> <p>The eleventh amendment was made on June 19, 2020.</p> <p>The twelfth amendment was made on June 29, 2022.</p>	<p>The seventh amendment was made on June 12, 2014.</p> <p>The eighth amendment was made on June 22, 2017.</p> <p>The ninth amendment was made on June 22, 2018.</p> <p>The tenth amendment was made on June 25, 2019.</p> <p>The eleventh amendment was made on June 19, 2020.</p> <p>The twelfth amendment was made on June 29, 2022.</p> <p><u>The thirteenth amendment was made on June 27, 2024.</u></p>	



## Advanced Optoelectronic Technology Inc.

### Procedures for Acquisition or Disposal of Assets

#### Section One – Acquisition or Disposal of Assets

##### **Article 1 : Basis**

These procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies regulated by Financial Supervisory Commission (FSC).

##### **Article 2 : The Term “Assets”**

1. Investments in marketable securities (including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities).
2. Real property (including land, houses and buildings and investment property) and equipment.
3. Memberships.
4. Intangible assets (including patents, copyrights, trademarks and franchise rights).
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

**Article 3 :** Total amounts of real property and right-of-use assets thereof for non-business use or securities acquired by the company and each subsidiary, and limits on individual securities.

The restricted amount of the Company:

1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 20% of the Company's book value.
2. The total amount of investment in securities shall not exceed 40% of the Company's book value. The total amount of investment in individual security shall not exceed 40% of the Company's book value.

The restricted amount of the Subsidiaries

1. The investment of real property and right-of-use assets thereof for non-business use shall not exceed 10% of the book value of the Subsidiary.
2. The total amount of investment in securities shall not exceed 50% of the book value of the Subsidiary. The total amount of investment in individual security shall not exceed 50% of the book value of the Subsidiary. However if the Subsidiary is belong to the holding company or focuses on investing, the total amount of investment in securities shall not exceed 40% of the parent company's book value and the total amount of investment in individual security shall not exceed 40% of the parent company's book value.

**Article 4 : Limits of authorization and Operating Procedures**

The acquisition or disposal of the Company's assets shall be handled in accordance with the following limits and procedures :

1. The acquisition or disposal of securities shall be executed after appraisal by the finance unit and approval by the board of directors (the Board). However if the transaction amount is not over NT\$ 250 million, the Board authorize the Chairmen to handle with and report to the Board later. If the Company acquires the repurchase agreement (RP), the reverse repo agreement (RRP) or domestic monetary fund with low risk and short term for short-term funds, the General Manager is authorized to handle the transaction not over NT\$ 100 million; and the Chairman is authorized to handle the transaction above NT\$ 100 million and report to the Board later. Since the maturity date of RP & RRP has been determined at the time of acquisition and the domestic monetary fund is used as short-term funds, the financial officer is authorized to approve the disposal of RP, RRP and domestic monetary fund with unlimited amount.
2. The acquisition or disposal of real property shall first be appraised by the in-charge person or project team indicated by the General Manager and then approved by the Board.
3. The acquisition or disposal of right-of-use assets shall be carried out after the approval of General Manager.
4. The acquisition or disposal of equipment and right-of-use assets thereof and memberships shall first be appraised and analyzed by the executing unit. The transaction amount below NT\$10 million is approved by the General Manager; the amount below NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board. However, if the assets here are for business use and the transaction party is not related party, the transaction shall follow the internal regulations. However, the transaction amount over NT\$300 million shall be reported to the Board.
5. The acquisition or disposal of intangible and right-of-use assets thereof shall first be appraised and analyzed by the executing unit. The transaction amount below NT\$10 million is approved by the General Manager; the amount below NT\$ 30 million is approved by the Chairmen; the amount over NT\$30 million is approved by the Board.
6. The acquisition or disposal of derivatives shall be duly handled in accordance with the procedures set forth in Section Three.
7. The acquisition or disposal of assets through mergers, spin off, acquisitions, or transfer of shares shall be duly handled in accordance with the procedures set forth in Section Four.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding Paragraph, the Board shall take into full consideration of each independent director's opinions. If any independent director objects to or expresses reserved opinions about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

**Article 5 :** The means of price determination and supporting reference materials

1. The securities acquired or disposed through the Centralized Trading Market or GreTai Securities Market ("GTSM") of the Republic of China shall be priced based on the trading price at that time.
2. For the securities not acquired or disposed through the Centralized Trading Market or GTSM, the prices shall be determined after taking account of the book value per share, profitability, potential of future development and reference to the trading prices at that time; or to be determined after taking account of the interest rate prevalent in the market, interest rate on face of the bonds as well as the debtors' creditability.
3. The prices of real property and right-of-use assets thereof acquired or disposed shall be determined based on the current official land prices, the values appraised and the trading prices of nearby real property.
4. The prices of equipment and right-of-use assets thereof acquired or disposed shall be determined through any manner among price comparison, price negotiation or open tendering.
5. The prices of memberships acquired or disposed shall be determined through either manner of price comparison or price negotiation.
6. The prices of intangible assets and right-of-use assets thereof acquired or disposed shall be determined in accordance with the related laws, regulations and contracts.
7. The prices of derivatives acquired or disposed shall be determined through the manner as set forth in Section Three under the Procedures.
8. The prices of assets acquired or disposed through mergers, spin off, acquisitions, or transfer of shares shall be determined through the manner as set forth in Section Four under the Procedures.

**Article 6 :** Appraisal Procedures

1. Securities :

The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

2. Real property, equipment and their right-of-use assets thereof

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report

prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (5) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

3. Intangible assets or right-of-use assets thereof or memberships

Where the company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

4. Derivatives :

It shall be determined through the manner as set forth in Section Three under the Procedures.

5. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.

It shall be determined through the manner as set forth in Section Forth under the Procedures.

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act,

the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may substitute for the appraisal report or CPA opinion.

#### **Article 7 : The information retained**

The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter's opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

#### **Article 8 : Public announcement and regulatory filing procedures**

Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a

related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
4. Where equipment or right-of-use assets thereof for business use is acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Republic of China.
  - (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

Mainland China area investment mentioned in item one refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Date of occurrence mentioned in item one refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the

above date or the date of receipt of approval by the competent authority shall apply.

"Within the preceding year" as used in the item two refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

**Article 9 :** The contents of public announcement and declaration

Where the Company conducts public announcement and declaration in accordance with the above-mentioned regulations, the contents of such public announcement and declaration shall follow the requirements set forth by the FSC.

**Article 10 :** Update of public announcement and declaration

When the company at the time of public announcement makes an error or omission in an item required by the Article 8 to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

**Article 11 :** Control procedures for the acquisition or disposal of assets by subsidiaries

The Company' subsidiaries shall conduct the acquisition or disposal of assets in accordance with the Company's "Procedures for Acquisition or Disposal of Assets".

In the event that a subsidiary of the Company is not a domestic public company and is required to make public announcement and declaration as required under Article 8 for the assets acquired or disposed, the Company shall conduct public announcement and declaration on its behalf.

Where a subsidiary is required to make public announcement and declaration in accordance with Article 8 of the Procedures, the paid-in capital or total assets used shall refer to the Company's paid-in capital or total assets.

The term "subsidiary" used in the Procedures is defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Section Two – Related Party Transactions**

### **Article 12**

When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised according to the regulations of the preceding Section and this Section, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The term "related party" used in the Procedures is defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

### **Article 13**

When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100



percent of the issued shares or authorized capital, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within NT\$30 million and have the decisions subsequently submitted to and ratified by the next board of directors' meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors' meeting.

If the company or its any subsidiary thereof which is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders' meeting for approval before the transaction contract signed and any payment made. However, this restriction does not apply to transactions between the company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting, the audit committee and the board of directors need not be counted toward the transaction amount.

#### **Article 14**

The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year that the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding

two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion. Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### **Article 15**

When the results of the company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no

more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or the right-of-use assets thereof.

## **Article 16**

Where the company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. The independent director members of the audit committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

## **Section Three –Engaging in Derivatives Trading**

### **Article 17 : Trading principles and strategies**

1. The types of derivatives that may be traded
  - (1) The term “derivatives” as used herein include forward contracts, options contracts, future contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from specific interest rates, prices of financial tools, prices or commodities, foreign exchange rates, price or fee rate indexes, credit ratings or

credit indexes or other variables, a combination of the above-mentioned contracts, or a combination of contracts or structured products that were embedded with derivative products.

(2) The forward contracts do not include insurance policies, performance contracts, after-sale service agreements, long-term lease agreement and long-term purchase (sale) agreements.

(3) The matters related to the bond margin transaction shall be handled in accordance with the relevant provisions of the Procedures.

## 2. Operating or hedging strategies

The principle of engaging in derivatives trading is for hedging purposes and to hedge the company's net exposure after internal netting of accounts receivable against accounts payable, or assets against liabilities with due date, amount or currency from business. The company shall select the kind of derivatives that could avoid operation risk, such as forward contracts and swap contracts; and the Company should hold currencies matching with the actual operation needs. Other special purpose transactions should be evaluated carefully and be traded after the approval of the Chairman and the transactions should be resolved in the recent meeting of the board of directors.

## 3. Segregation of duties

(1) Finance Division :

A. Draw up the whole hedging policies of financial derivatives.

B. Collect market information, estimate the trend and risks and get familiar with the operation of financial products.

C. Calculate the positions weekly, draw up operating strategies according to the company's policies and implement.

D. Evaluate operational performance on a regular basis and report to the board of directors.

(2) Accounting Division : Be responsible for the delivery and accounting of the transactions and settle the profits and losses every month.

(3) Audit Division : Conduct auditing of the compliance of the transaction process by the Finance Division, produce the reports on a periodic basis and report to the Audit Committee if any material deficiency.

## 4. Essentials of performance evaluation

For the operation of derivative financial products, the operation details should be recorded on the transaction sheet on a daily basis to control the status of the profit and loss; in addition, the profits and losses should be settled on a monthly, quarterly, semi-annual and annual basis.

## 5. Maximum contract size and loss limit

(1) Maximum contract :

Total amount of derivatives contracts that may be traded:

A. The total amount of F/X hedging contracts shall not exceed the net position of the estimated accounts receivables, accounts payables and balance sheet after offsetting the maturity date, amount and currency, arising from the company's business in the next three months.

B. Other specific purpose transactions other than Forward Contracts and Swaps shall not exceed 10% of the company's net value.

- (2) The maximum loss limit on total contracts and for individual contracts:
- A. For the transaction in the purpose of F/X hedging, the upper limit of losses is 15% of the contract amount in aggregate or for any individual contract.
  - B. For the transaction in the purpose of other specific purpose, the upper limit of losses is 10% of the contract amount in aggregate or for any individual contract.
  - C. However, when the changes in exchange rates or interest rates have a significant impact, the Financial Unit should call relevant personnel at any time to respond.

**Article 18 : Operating Procedures**

1. Level of delegation / authorization

(1) Transaction execution

The company's authorized dealers are required to execute the transactions based on the company's net position arising from the business, and the authorization amount and level of each transaction are as follows:

Level	Delegated amount of each transaction
Dept Head of Finance Div.	Up to USD5 million
Finance Manager	Up to USD3 million
Authorized dealer	Up to USD1 million

(2) Transaction Ratification

An Internal written ratification of the following authorization shall be completed after each transaction.

Level	Delegated amount of each transaction
Chairman	Up to USD5 million
Dept Head of Finance Div.	Up to USD3 million
Finance Manager	Up to USD1 million

2. Execution units and transaction process:

- (1) Execute the transaction: The dealer of Finance Div. conduct the transactions with banking institutes within the authorized amount. After the completion of each transaction, the transaction sheet should be immediately filled in according to the transaction report of the banking institution, and the transaction is registered in the financial system (FBI) after being signed by the authorized supervisor.
- (2) Confirm the transaction: The non-trading personnel of the Finance Div. confirm the contents of the transaction with the banking institution.
- (3) Settle the transaction: Before the date of settlement, the financial personnel should register the contents of settlement in the financial system (FBI) and submit the relevant documents to Accounting Div for accounting.
- (4) Evaluate in the end of each month: In the end of each month, the Finance Div. should prepare a market evaluation statement and submit it to Accounting Div. as the basis for accounting evaluation.

## **Article 19 : Measures of Risk Management**

1. The range of risk management
  - (1) Credit risk management: Credit risk is controlled by restricting the counterparties that the company may deal with to those who either have banking relationships with the company or are internationally renowned and are able to provide sufficient information.
  - (2) Market price risk management: Market price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled.
  - (3) Liquidity risk management: Liquidity risk shall be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
  - (4) Cash flow risk management: The Company shall maintain adequate level of quick assets and credit facilities to meet the cash settlement requirement.
  - (5) Operating Risk management: The dealers must indeed comply with the authorized quota and operating procedures.
  - (6) Legal risk management: Any legal documents signed with the trading banks shall first be reviewed by related personnel before being signed to control legal risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

## **Article 20 : Internal audit system**

The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report.

The company shall submit to the FSC a report on the execution of its previous year's annual audit plan before the end of February of the following year and a recordation its corrections of any defects and irregularities of the internal control system discovered during the past year's internal auditing before the end of May of the following in the prescribed format and via the internet-based information system.

If any material violation is discovered, all members of the audit committee shall be notified in writing.

## **Article 21 : Regular evaluation methods and handling of irregular circumstances**

1. The board of directors shall designate senior management personnel to pay continuous attention to monitor and control derivatives trading risk and periodically to evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk

undertaken is within the company's permitted scope of tolerance.

2. The senior management personnel authorized by the board of directors shall periodically evaluate if the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company. And when irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors and an independent director shall be present at the meeting and express an opinion.

The company shall report to the soonest meeting of the board of directors if it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Acquisition or Disposal of Assets.

### **Article 22 : Announcement**

1. If the losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company, the company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.

In the event of any unrealized losses on derivatives trading amounting to 3 percent or more of net worth, the material information shall be input two hours before the beginning of trading hours on the trading day following the date of occurrence of the event on the FSC's designated website.

2. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

### **Article 23**

The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of director's approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 19 and paragraph 1 & 2 of Article 21 shall be recorded in detail in the log book.

## **Section Four –Mergers, Demergers, Acquisitions, and Transfer of Shares**

### **Article 24**

The so-called "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" in this Procedure refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of

shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

#### **Article 25**

The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

#### **Article 26**

The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

#### **Article 27**

The companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders' meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The companies participating in a transfer of shares shall call a board of directors' meeting on the same day, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

#### **Article 28**

The Company's personnel participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content



of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

### **Article 29**

The companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, which affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

### **Article 30**

The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

### **Article 30-1**

When participating in a merger, demerger, acquisition, or transfer of another company's shares, The Company shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

### **Article 31**

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

### **Article 32**

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 27, Article 28, Article 30-1 and Article 31.

## **Section Five –Additional Provisions**

### **Article 33**

If the company's managers and related personnel violate the regulations of the procedures and therefore harm the company's rights and interests, they will be punished or adjusted to other posts in accordance with the relevant regulations of the competent authority or the company.

### **Article 34**

After the procedures have been approved by the audit committee and the board of directors, these procedures shall be submitted to a shareholders' meeting for approval; the same applies when the

procedures are amended. When the procedures for the acquisition or disposal of assets are submitted for discussion by the board of directors, the board of directors shall take into full consideration of each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

When the procedures for the acquisition or disposal of assets are adopted or amended they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

### **Article 35**

If there are any matters not covered in the procedures, they shall be handled in accordance with relevant laws and regulations

### **Article 35-1**

For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

### **Article 35-2**

In the case of the company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under these regulations, 10 percent of equity attributable to owners of the parent shall be substituted

### **Article 36**

These Procedures for Acquisition or Disposal of Assets were resolved on June 27, 2003.

The first amendment was made on June 30, 2004.

The second amendment was made on June 30, 2005.

The third amendment was made on June 29, 2007.

The fourth amendment was made on June 26, 2012.

The fifth amendment was made on April 23, 2013.

The sixth amendment was made on September 25, 2013.

The seventh amendment was made on June 12, 2014.

The eighth amendment was made on June 22, 2017.

The ninth amendment was made on June 22, 2018.

The tenth amendment was made on June 25, 2019.

The eleventh amendment was made on June 19, 2020.

The twelfth amendment was made on June 29, 2022.

**Advanced Optoelectronic Technology Inc.**  
**Articles of Incorporation**  
**Section One – General Provisions**

**Article 1**

The Company shall be incorporated as a company limited by shares under the Company Act of the Republic of China, and its name shall be Advanced Optoelectronic Technology Inc.

**Article 2**

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

CC01080: Electronic Parts and Components Manufacture

F119010: Wholesale of Electronic Materials

F219010: Retail Sale of Electronic Materials

F401010: International Trade

IZ99990: Other Industrial and Commercial Services.(The research & Test of LD and LED)

I501010: Product Designing

ZZ99999: All business activities that are not prohibited or restricted by law, except those that are subject to special approval

**Article 3**

The Company is headquartered in Hsinchu County, Taiwan, Republic of China, and shall be free, upon approval of the Board of Directors and government authorities in charge, to set up representative or branch offices at various locations within or outside the territory of the Republic of China, whenever the Company deems it necessary.

**Article 4**

The Company may provide endorsement or guarantee to others owing to business transactions or investment, but the total amount of guarantee shall not exceed 40% of the Company's net worth.

**Article 5**

The total amount of the Company's investment may be over 40% of the Company's paid-in capital and the Board of Directors of the Company is authorized to exercise.

**Section Two – Capital Stock**

**Article 6**

The total capital stock of the Company shall be in the amount of 2.4 Billion New Taiwan Dollars, divided into 240 million shares at NT\$10 par value each share, and may be paid-up in installments in accordance with the resolution of the Board of Directors. Among the above-mentioned 240 million shares, 5 million shares will be reserved for issuing employee stock options.

**Article 7**

The share certificates of the Company shall all be name-bearing share certificates, and shall be signed by or affixed with seals of at least three directors, and authenticated by the competent authorities of the Government or the certification organization approved by the competent authorities. The Company may be exempted from printing share certificates if the shares are registered with a centralized securities depository enterprise.

**Article 8**

All stock processing and related activities shall follow the regulations issued by the Government of the Republic of China.

**Article 9**

Registration for transfer of shares shall be suspended before the date of annual shareholders' meeting and any special shareholders' meeting, or within 5 days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company, in accordance with Article 165 of the Company Act.

**Section Three – Shareholders' Meeting****Article 10**

Shareholders' meetings of the Company are of two types: annual shareholders' meetings and special shareholders' meetings. The annual shareholders' meeting is called by the Board of Directors once per year within six months of the close of the fiscal year, in accordance with Article 172 of the Company Act. The special shareholders' meeting may be called in accordance with applicable laws and regulations whenever necessary.

The notice of a shareholder's meeting may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof. The above-mentioned notice may be announced in public to the shareholders possessing less than 1,000 shares.

**Article 11**

If a shareholder is unable to attend a shareholders' meeting, he/she may appoint a representative to attend it, with a Shareholder Proxy Form issued by the Company, in accordance with Article 177 of the Company Act and the applicable laws or regulations.

**Article 12**

The shareholders' meeting shall be presided by the Chairman of the Board of Directors of the Company. In case the Chairman is on leave or otherwise cannot exercise his duty, the proxy shall be acted in accordance with Article 208 of the Company Act.

**Article 13**

Each shareholder shall have one voting power in respect of each share in his possession, but the

shares shall have no voting power under limitation or provided for in Article 179, Paragraph 2 of the Company Act.

#### **Article 14**

Except as otherwise provided by other laws or regulations, shareholders' meetings shall be held if attended by shareholders in person or by proxy representing more than 50% of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Article 14-1**

For the issuance of employee stock option of the Company at a price lower than the market price, such issuance shall be adopted by two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.

If the Company transfers the buyback shares to its employees at a price lower than average price of actual buyback price, such transfer shall be adopted by two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.

#### **Article 15**

Shareholders of the Company can vote through written papers or the electronic voting system, the details of which shall be handled in accordance with relevant laws and regulations of the Republic of China.

The resolutions of the shareholders' meeting shall be recorded in the minutes, which shall be affixed with the signature or seal of the Chairman of the meeting. The minutes shall be kept and distributed to all shareholders of the Company within 20 days after the close of the meeting, in accordance with Article 183 of the Company Act. The distribution of the minutes of the shareholders' meeting may be effected by means of a public notice in Market Observation Post System.

### **Section Four – Directors and Audit Committee**

#### **Article 16**

The Company shall have five to nine directors. The term of office for directors shall be three years, and all directors shall be eligible for re-election. The total number of shares that all directors shall hold should be in accordance with the requirements of the competent authorities. In the election of directors of the Company, the single recorded cumulative voting system is implemented. Each share shall have voting rights equivalent to the number of seats to be elected, and such voting rights can be combined to vote for one person, or be divided to vote for several persons; the candidate who receive more votes will win the seat of directors. If any necessary to amend the voting system, the causes or

subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders in accordance with Article 172 of the Company Act.

The election of the Company's directors shall be conducted in accordance with Article 192-1 of the Company Act under the system of nomination of candidates, and the directors shall be elected by shareholders' meeting from the roster of the candidates.

#### **Article 16-1**

Among the aforesaid directors in Article 16, there are at least three of which shall be independent directors, and not less than one-fifth of the total number of directors.

The relevant professional qualifications, restrictions on shareholdings, concurrent positions held, method of nomination, and other matters for compliance with respect to Independent Directors shall be governed by the relevant laws and regulations of the Republic of China.

#### **Article 16-2**

Directors may be notified of the Board of Directors meeting via written notices, fax, or email in accordance with Article 204 of the Company Act.

#### **Article 16-3**

The Company establishes audit committee according to Article 14-4 of the Securities and Exchange Act and the Committee shall be composed of all independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

#### **Article 17**

When the number of vacancies in the Board of Directors of the Company equals to one third of the total number of directors, the Board of Directors shall call a shareholders' meeting to elect succeeding directors to fill the vacancies according to Article 201 of Company Act. The expiration of the term of office of new directors shall be the same as the old ones.

#### **Article 18**

In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

#### **Article 19**

The Board of Directors shall be composed of the entire directors. The Directors shall elect from among themselves a chairman of the Board of Directors by a majority vote in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to act in accordance with Laws, Articles of Incorporation, resolutions of shareholders' meetings and the



meetings of the Board of Directors.

#### **Article 20**

The Company's business principles and other important items shall be acted in accordance with any resolution adopted by the meetings of the Board of Directors. Except the first meeting of each term of the board of directors convened by the director who received a ballot representing the largest number of votes at the election of directors, in accordance with Article 203 of Company Act, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, and the Chairman shall preside at the meeting of the Board of Directors. In case the Chairman is on leave or otherwise cannot exercise his duty, the Chairman shall appoint a director to act as his deputy; otherwise the other Directors shall elect from among themselves a Chairman to preside over the meeting of the Board of Directors.

#### **Article 21**

Except as otherwise provided in the Company Act, a meeting of the Board of Directors shall be held if attended by a majority or more of total Directors and resolutions shall be adopted with the concurrence of the majority or more of the Directors present at the meeting. In case a director is unable to attend the meeting of the Board of Directors for any cause, he may appoint another director to attend the meeting of the Board of Directors in his/her behalf. In case a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy referred to in the preceding paragraph of one other director only.

#### **Article 22**

Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all directors of the Company within 20 days after the close of the meeting. The minutes of the board of directors shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes, the attendance book and the proxies shall be kept by the Company.

#### **Article 23**

Deleted

#### **Article 24**

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

If the Director(s) also serve(s) other position(s) in the Company, his/her compensation for such duties

shall be authorizes to the General Manager by the shareholders' meetings to handle in accordance with the internal rules.

The Board of Directors is authorized to purchase liability insurance for its directors within the term of office.

## **Section Five – Managers and Employees**

### **Article 25**

The Company may appoint one or more managers, and the appointment, discharge or the remuneration of the manager(s) shall be decided in accordance with Article 29 of the Company Act.

### **Article 26**

The Company may hire important employees to implement the resolution of the meeting of the Board of the Directors in accordance with Article 21 of Articles of Incorporation.

## **Section Six – Finance**

### **Article 27**

After the end of each fiscal year, the following reports shall be prepared by the Board of Directors, be audited and signed by the Audit Committee 30 days before the shareholders' meeting and be submitted to the shareholders' meeting for acceptance.

1. Business Report.
2. Financial Statements.
3. Proposals for earning distribution or deficit compensation.

### **Article 28**

If there is any profit for a specific fiscal year, the Company shall allocate not less than 5% of the profit as employees' compensation and shall allocate not more than 0.1% of the profit as remuneration to Directors, provided that the Company's accumulated losses shall have been covered in advance. Employee's compensation is distributed in the form of shares or cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualification. Those proposals shall be adopted by the Board of Directors by a majority vote in a meeting attended by over two-thirds of the Directors and shall be reported in the shareholder's meeting.

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

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

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

## **Section Seven – Supplementary Provisions**

### **Article 29**

Deleted

### **Article 30**

For matters not provided in the Articles of Incorporation, it shall be handled in accordance with the Company Act and other related laws of the Republic of China.

### **Article 31**

These Articles of Incorporation were resolved on September 17, 1999.

The first amendment was made on November 5, 1999.

The second amendment was made on January 18, 2000.

The third amendment was made on February 13, 2001.

The fourth amendment was made on August 23, 2002.

The fifth amendment was made on June 27, 2003.

The sixth amendment was made on November 28, 2003.

The seventh amendment was made on June 30, 2004.

The eighth amendment was made on June 30, 2004.

The ninth amendment was made on June 30, 2005.

The tenth amendment was made on June 30, 2005.

The eleventh amendment was made on May 16, 2006.

The twelfth amendment was made on May 16, 2006.

The thirteenth amendment was made on February 7, 2007.

The fourteenth amendment was made on February 7, 2007.

The fifteenth amendment was made on June 29, 2007.

The sixteenth amendment was made on June 27, 2008.

The seventeenth amendment was made on May 22, 2009,

The eighteenth amendment was made on June 22, 2010.

The nineteenth amendment was made on June 26, 2012.

The twentieth amendment was made on April 23, 2013.

The twenty-first amendment was made on June 12, 2014.

The twenty-second amendment was made on June 24, 2016.

The twenty-third amendment was made on June 22, 2018.

The twenty-fourth amendment was made on July 20, 2021.

## **Advanced Optoelectronic Technology Inc**

Chairman: Fang, Jung-Hsi

## **Advanced Optoelectronic Technology Inc.** **Rules of Procedure for Shareholders' Meetings**

### **Article 1**

In order to establish a good governance system for the shareholders' meeting of the Company, to construct supervision capabilities and to intensify management function, these Rules are adopted in accordance with the Company Act and related laws of the Republic of China.

### **Article 2**

Shareholders' Meetings of the Company (the "Meetings") shall be conducted in accordance with these Rules of Procedures for Shareholders' Meetings, except as otherwise provided in laws or the Articles of Incorporation.

### **Article 3**

(Convening the Meetings and Meeting notices)

- 3.1 Unless otherwise provided by laws or regulations, the Meetings shall be convened by the Board of Directors.
- 3.2 A notice to convene an annual shareholders' meeting or a special shareholders' meeting, shall be given to each shareholder in accordance with Article 172 of the Company Act. The above-mentioned notice may be announced in public to the shareholders possessing less than 1,000 shares no later than 30 days prior to the date of the annual shareholders' meeting and no later than 15 days prior to the date of the special shareholders' meeting.
- 3.3 The Company shall prepare electronic versions of the Meeting notice and proxy forms, and the origins and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a annual shareholders' meeting or 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the meeting agenda and supplemental materials and upload them to the MOPS 21 days before the date of an annual shareholders' meeting or 15 days before the date of a special shareholders' meeting.
- In addition, 15 days before the date of the Meeting, the Company shall also prepare the meeting agenda and supplemental materials and made them available for review by shareholders at any time. These agenda and materials shall also be displayed at the Company and the professional shareholder services agent designated thereby and shall be distributed on-site at the meeting.
- 3.4 The reasons for convening a meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
- 3.5 Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of

competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or any matter under Article 185, paragraph 1 of the Company Act, shall be set out and the essential contents above should be explained in the notice of the reasons for convening the Meeting. None of the above matters may be raised by an extraordinary motion. The major contents may be posted in the nominated website and the website shall be specified in the meeting notice.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the Meeting, such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting after the completion of the re-election in said meeting.

3.6 Any shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at an annual shareholders' meeting. The number of items proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. The Board of Directors may put the shareholders' proposal, which urges the Company to promote public interests or fulfill its social responsibilities, into the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

3.7 Prior to the book closure date before a general shareholders' meeting being held, the Company shall publicly announce its acceptance of shareholders' proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholders' proposals may not be less than 10 days.

3.8 Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the Meeting and take part in discussion of the proposal.

3.9 Prior to the date for issuance of notice of a Meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder's proposals in the agenda.

#### **Article 4**

For each meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy for any given meeting, and shall deliver the proxy form to the Company five days before the date of the meeting. When duplicate proxy forms are delivered, the one received earlier shall prevail, unless a declaration is received to cancel the previous proxy appointment. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company two business

days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### **Article 5**

(Principles determining the time and place of a meeting)

The venue for a meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

#### **Article 6**

(Registration and Preparation of documents such as the attendance book)

The Company shall specify in its meeting notices the time during which attendance registrations for shareholders will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences; the place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel shall be assigned to handle the registrations.

Shareholders and proxies (collectively "shareholders") shall attend the meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

#### **Article 7**

(The chair and non-voting participants of a meeting)

If a meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the Board. When the chairperson of the Board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors

shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that the meetings convened by the Board of Directors be chaired by the chairperson of the Board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons to attend a meeting in a non-voting capacity.

## **Article 8**

(Documentation of a meeting by audio or video)

The Company shall make an audio and video recording of the proceedings of the meeting, and the recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

## **Article 9**

9.1 Attendance at the meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

9.2 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

9.3 If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another meeting shall be convened within one month. When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the meeting pursuant to Article 174 of the Company Act.



## **Article 10**

### (Discussion of Proposals)

- 10.1 If a meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the meeting.
- 10.2 The provisions of the preceding paragraph apply mutatis mutandis to a meeting convened by a party with the power to convene that is not the Board of Directors.
- 10.3 The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- 10.4 The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

## **Article 11**

### (Shareholder's speech)

- 11.1 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
- 11.2 A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- 11.3 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- 11.4 When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
- 11.5 When a juristic person shareholder appoints two or more representatives to attend a meeting, only one of the representatives appointed may speak on the same proposal.
- 11.6 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

## **Article 12**

(Calculation of voting shares)

- 12.1 Voting at a meeting shall be calculated based the number of shares.
- 12.2 With respect to resolutions of the meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
- 12.3 When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- 12.4 The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
- 12.5 With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

## **Article 13**

- 13.1 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.
- 13.2 When the Company holds a meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence.
- 13.3 A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting
- 13.4 A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the meeting. When duplicate declarations of intent are delivered, the one received earlier shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
- 13.5 After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two business days before the date of the meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a meeting, the voting rights exercised by the proxy in the meeting shall prevail.

13.6 Except as otherwise provided in the Company Act or the Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

13.7 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

13.8 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for the meeting proposals or elections shall be conducted in public at the place of the meeting. Immediately after vote counting completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### **Article 14**

(Election of directors)

14.1 The election of directors at a meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

14.2 The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### **Article 15**

15.1 Matters relating to the resolutions of a meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy shall be distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

15.2 The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement according to the Article 183 of the Company Act.

15.3 The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.

## **Article 16**

(Public disclosure)

- 16.1 On the day of a meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the meeting.
- 16.2 If matters put to a resolution at a meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

## **Article 17**

(Maintaining order at the meeting place)

- 17.1 Staff handling administrative affairs of a meeting shall wear identification cards.
- 17.2 The chair may direct the proctors or security personnel to help maintain order at the meeting place.
- 17.3 At the place of a meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from doing so.
- 17.4 When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

## **Article 18**

(Recess and resumption of a meeting)

- 18.1 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
- 18.2 If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the meeting may adopt a resolution to resume the meeting at another venue.
- 18.3 A resolution may be adopted at a meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

## **Article 19**

The procedures, proposals, the methods by which resolutions were adopted and other related affairs of the meetings, shall be conducted in accordance with these Rules of Procedures for shareholders' meetings. Except above-mentioned affairs, other items shall be followed by the chair's adjudication except as otherwise specifically provided in laws or the Articles of Incorporation.

**Article 20**

These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

**Article 21**

These Rules of Procedure for Shareholders Meetings were resolved on August 23, 2002.

The first amendment was made on May 16, 2006.

The second amendment was made on June 29, 2007.

The third amendment was made on June 26, 2012.

The fourth amendment was made on April 23, 2013.

The fifth amendment was made on September 25, 2013.

The sixth amendment was made on June 12, 2014.

The seventh amendment was made on June 24, 2015.

The eighth amendment was made on June 19, 2020.

**Advanced Optoelectronic Technology Inc.**  
Shareholdings of Directors

Date : Apr. 29, 2024

Title	Name	Shares
Chairman	Fang, Jung-Hsi	1,007,000
Director	Chuang, Hong-Jen	3,206,000
Director	Chang, Deng-Kai	60,999
Independent Director	Liu, Shi-Heh	0
Independent Director	Yu, Hsiang-Tun	4,000
Independent Director	Charles W. Tu	0
Independent Director	Wang, Shu-Lan	0
Holding of all directors (independent directors not included)		4,273,999
Holding of all directors		4,277,999

**NOTE :**

1. The paid-in capital of the company is NT\$1,445,480,000. The total common shares outstanding is 144,548,000 shares.
2. According to Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum required shareholding of all directors is 8,672,880 shares. If the independent directors exceed one-half of the total director seats, and an audit committee has been established in accordance with the Act, the provisions on the minimum percentage requirements for the shareholding of all directors shall not applied.
3. The company has established the audit committee, and therefore the minimum required shareholdings of all supervisors shall not be applied.