



**Advanced Optoelectronic Technology Inc.**

Solid-State Light. Done Right.

## **Rules Governing Financial and Business Matters between this Corporation and its Related Parties**

**Article 1 :** To ensure sound financial and business interactions between this Corporation and its related parties and to prevent non arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between this Corporation and its related parties, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

**Article 2 :** Except as otherwise provided by law and regulation or by the articles of incorporation, financial and business matters between this Corporation and any of its related parties shall be handled in accordance with the provisions of these Rules.

**Article 3 :** The term "related party" referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with this Corporation:

1. A relationship of control or subordination.
2. A relationship of mutual investment. In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.

**Article 4 :** The Company shall establish an effective internal control system designed for transactions with related parties (including affiliated enterprises) in regard to its overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.

The Company shall ensure that any subsidiary develops an effective internal control system, taking into account the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any related party that is not a public company, the Company shall still, in consideration of the degree of influence it has on this Corporation's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.

**Article 5 :** In addition to implementing the adopted internal control system, this Corporation shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

This Corporation shall obtain an appropriate number of director and supervisor seats in the affiliated enterprise in accordance with the percentage of the shares it holds.

1. A director that this Corporation assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the various members of the affiliate enterprise's management. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity found, compile a record, and report the matter to the chairperson or general manager of this Corporation.
2. A supervisor assigned to an affiliated enterprise by this Corporation shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records and audit reports, and may also request reports from the affiliate's board of directors or managerial officers. For any irregularity that may be found, the supervisor assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson or general manager of this Corporation.
3. This Corporation shall assign competent personnel to assume important positions at its affiliated enterprise, such general manager, financial officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
4. This Corporation, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
5. In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of this Corporation must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
6. Subsidiaries of this Corporation shall regularly submit monthly financial statements for the preceding month, including balance sheets, income statements, statements of expenses, statements of cash flow and cash flow forecasts, accounts receivable aging schedules and statements of delinquent accounts receivable, aging inventory analyses, and statements of loans to others and endorsements/guarantees. In the event of irregularities, analysis reports shall also be submitted to allow management and control by this Corporation. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by this Corporation.

**Article 6 :** A managerial officer of this Corporation may not concurrently serve as a managerial officer of any affiliated enterprise of this Corporation, and shall not operate the same type of business as this Corporation, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the board of directors. The division of powers and responsibilities between this Corporation and its affiliated enterprises with respect to personnel management shall be clearly identified, and personnel transfers between the two shall be avoided. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

**Article 7 :** This Corporation shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate credit risks, shall regularly conduct comprehensive risk assessments of their banks, principal clients, and suppliers. With respect to an affiliated enterprise with which it has financial and business interactions, this Corporation shall especially maintain close control over material financial and business items for the purpose of risk management.

**Article 8 :** Any loans or endorsements/guarantees between the Company and a related party shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and with the procedures prescribed by the Company regarding loans to others and provision of endorsements/guarantees.

The following matters of any loans or endorsements/guarantees between the Company and a related party shall be thoroughly reviewed, and the assessment results shall be submitted to the Board of Directors for approval. Any loans must be resolved by the Board of Directors and may not be delegated to others. Endorsements and guarantees shall be authorized by the Board for the Chairman to handle within a certain limit, but such actions shall be subsequently ratified by the next Board meeting.

1. The necessity and reasonableness of the loans or endorsement/guarantee. For transactions based on business dealings, the amount lent or guaranteed shall be evaluated in proportion to the amount of business transactions. If the purpose is short-term financing, the reasons and circumstances for such funding shall be clearly stated.
2. Credit status and risk assessment of the counterparty.
3. The impact on the Company's operational risk, financial condition, and shareholders' rights and interests.
4. Whether collateral should be obtained and the assessed value of such collateral. Where the Company holds, directly or indirectly, 90% or more of the voting shares of a subsidiary, the subsidiary shall obtain the Company's Board approval before providing endorsements/guarantees in accordance with Article 5, Paragraph 2 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. However, this requirement does not apply to endorsements/guarantees between subsidiaries in which the Company holds 100% of the voting shares, directly or indirectly.

Any loans between the Company and its parent or subsidiaries, or between subsidiaries, shall be approved by the Board of Directors. The Board may authorize the Chairman to disburse loans in installments or on a revolving basis within a certain limit and within a period not exceeding one year, as approved by the Board.

In any loans or endorsements/guarantees to related parties, full consideration shall be given to the opinions of all independent directors, and their explicit consent or dissent, along with reasons for dissent, shall be recorded in the Board meeting minutes.

Where a foreign subsidiary in which the Company holds 100% of the voting shares, directly or indirectly, engages in fund lending due to short-term financing needs, the financing amount is not subject to the 40% net worth limit. For endorsements/guarantees between companies in which the Company holds 90% or more of the voting shares, directly or indirectly, the total amount shall not exceed 10% of the Company's net worth. However, this restriction does not apply to endorsements/guarantees between wholly owned subsidiaries.

Subsequent control measures shall be effectively implemented for any loans and guarantees. If there is any overdue receivable or potential loss, appropriate protective measures shall be taken to safeguard the Company's rights and interests.

**Article 9** : Price terms and payment methods shall be expressly stipulated for any business interaction between the Company and any related party. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

When business needs require the purchase of finished products, semi-finished products, or materials from a related party, purchasing personnel shall thoroughly evaluate the fairness of the price quoted by the related party based on market prices and other transaction terms and conditions. Except in special circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other prices and payment terms shall be commensurate with those offered to ordinary suppliers. Price quotes for the sale of any finished products, semi-finished products, or materials to related party shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurate with those offered to ordinary clients.

For professional or technical services provided between the Company and a related party, both parties shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. The contract shall be implemented after approval by the general manager or the chairperson of the Company, and all contract terms and conditions shall comply with normal business practice.

By the end of each month, the accounting personnel of both the Company and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

**Article 10** : For purchases and sales of goods, professional or technical services provided between the Company and a Related Party, the transaction amount of which during a whole year is expected to be five percent of the Company's most recent total consolidated assets or net value of consolidated business income in the most recent year, in addition that the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall apply, or other than the transactions

between the Company and its parent company or subsidiary or between its subsidiaries, the following information shall be submitted to the board of directors for approval before the transactions may proceed:

Items, purpose, necessity, and projected benefits of the transactions.

1. The reason for choosing the related party as a trading counterparty.
2. The calculation principle of the transaction price and the projected limit of annual transaction value.
3. Description of whether transaction terms are consistent with regular commercial terms and that these terms will not damage the company interest or shareholder equity.
4. Restrictions on transaction and other important terms and conditions.

The following particulars about the transactions with related parties in the preceding paragraph shall be reported at the next shareholders' meeting after the end of a year:

1. Actual transaction value and terms and conditions.
2. Whether the calculation principle of the transaction price approved by the board of directors has been followed.
3. Whether the total value is under the limit on annual transaction value approved by the board of directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

**Article 11** : Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between the Company and a related party shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition and disposal of assets prescribed by the Company.

When acquiring or disposing of securities from or to a related party, or acquiring securities whose underlying is an affiliated enterprise, the Company shall, prior to the date of occurrence, obtain the most recent financial statements of the target company audited or reviewed by a certified public accountant as a reference for evaluating the transaction price.

In addition, if the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, a certified public accountant shall be engaged prior to the date of occurrence to issue an opinion on the reasonableness of the transaction price.

However, this requirement does not apply to securities that have publicly quoted prices in an active market or where otherwise regulated by the Financial Supervisory Commission. For transactions involving the acquisition or disposal of intangible assets, right-of-use assets, or membership rights from or to a related party, where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, a certified public accountant shall be engaged prior to the date of occurrence to issue an opinion on the reasonableness of the transaction price.

**Article 12** : When the Company conducts any acquisition or disposal of real property or its right-of-use assets from or to any of its related parties, or acquires or disposes of other assets, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, the following information shall be submitted for the consent of more than half of all

Audit Committee members and be approved by the Board of Director before signing the transaction contract and making any payments:

1. Valuation report issued by a professional appraiser or an opinion from a certified public accountant, as required.
2. Purpose, necessity, and expected benefits of the asset acquisition or disposal.
3. Reasons for selecting the related party as the counterparty.
4. Relevant data used to evaluate the reasonableness of the transaction terms in accordance with Articles 16 and 17 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies for real estate transactions with related parties.
5. The date and price at which the related party originally acquired the asset, the original counterparty, and the relationship between the counterparty, the Company, and the related party.
6. Cash flow forecasts for each month for the coming year from the expected contract signing month, along with an assessment of the necessity of the transaction and the reasonableness of fund utilization.
7. Restrictive covenants and other major agreed-upon terms for the transaction.
8. An opinion from a certified public accountant on whether the transaction meets standard commercial terms and whether it impairs the rights and interests of the Company or its minority shareholders.

If the amount of the aforementioned transaction involving real property, equipment, or their right-of-use assets reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, a valuation report from a professional appraiser must be obtained. If the valuation deviates from the transaction price by 20% or more, a certified public accountant must be engaged to provide a specific opinion on the reasons for the discrepancy and the appropriateness of the transaction price. Additionally, at least two-thirds of the Board members must be present at the meeting, and the transaction must be approved by a majority of the attending directors.

If the actual transaction price for acquiring real estate or its right-of-use assets from a related party exceeds the appraised transaction cost and the Company fails to provide objective evidence or obtain a reasonable opinion from a professional appraiser and a CPA, the Board shall thoroughly assess whether the transaction will impair the rights and interests of the Company or its shareholders. If necessary, the Board shall reject the transaction. Independent directors shall exercise their supervisory powers and, if necessary, notify the Board to halt the transaction.

If more than half of the Audit Committee members consent, and the transaction is subsequently approved by the Board, the Company shall allocate the difference between the transaction price and the appraised cost to a special reserve that shall not be distributed or capitalized. The handling of such transaction shall also be reported at the shareholders' meeting and disclosed in the annual report and prospectus in detail.

In any of the following circumstances, even if the transaction has been approved by the Board of Directors, the information listed under Paragraph 1 shall still be submitted to the shareholders' meeting for approval, and any shareholder with a conflict of interest must abstain from voting:

1. If the Company or a non-publicly listed subsidiary of the Company engages in a transaction under Paragraph 1 and the transaction amount exceeds 10% of the Company's total assets.
2. If, according to the Company Act, the Company's Articles of Incorporation, or internal procedures, the transaction amount or terms have a material impact on the Company's operations or shareholder rights.

If the Company enters into a transaction under Paragraph 1 with a related party, it shall report the actual transaction details (including actual amount, transaction terms, and the information listed under Paragraph 1) at the most recent shareholders' meeting following the end of the fiscal year.

**Article 13 :** With respect to any financial or business interaction between the Company and any related party that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director him/herself or the corporation he/she represents is an interested party with respect to a particular agenda item and there is a likelihood that the company's interest may be compromised, that director shall enter into recusal and may neither participate in the discussion of nor vote on that item nor exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

If a director's spouse, blood relatives within the 2nd degree of relationship, or a company controlled by that director is an interested party with respect to an agenda item as mentioned in the preceding paragraph, the director him/herself will be deemed as an interested party with respect to that agenda item.

Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, Audit Committee shall immediately notify the board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, Audit Committee shall also file a report with the relevant regulatory authority or agency.

**Article 14 :** The Company, in compliance with the requirements of laws and regulations regarding matters that must be publicly disclosed or filed and the deadlines for so doing, shall make timely arrangements for the provision by each subsidiary of required financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.

The Company shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income, and CPA secondary review reports covering affiliated enterprises by the

deadlines for the filing of the annual financial reports under applicable laws and regulations.

Information on any increase, decrease, or other change in affiliated enterprises shall be filed with the TWSE or TPEX within 2 days of the change.

Information on any material transaction between the Company and a related party shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises, and prospectuses.

If a related party experiences financial difficulties, the Company shall obtain its financial statements and related materials in order to assess the resulting effect on the finances, business, or operations of the Company, and when necessary, appropriate conservatory measures shall be adopted to safeguard The Company's rights as a creditor. Under the above circumstances, in addition to specifying the resulting effect on this Corporation's financial position in its annual report and prospectus, the Company shall also make a timely announcement of material information on the Market Observation Post System (MOPS).

**Article 15 :** When any of the following circumstances applies to an affiliated enterprise, this Corporation shall make a public disclosure and regulatory filing on its behalf:

1. For a subsidiary whose shares have not been publicly issued domestically, the dollar amount of the subsidiary's acquisition or disposal of assets, endorsements or guarantees for others, and loans of funds to others meets the criteria for public disclosure and regulatory filing.
2. The parent or the subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.
3. A major policy is adopted by resolution of the affiliated enterprise's board of directors that has a material effect on the rights and interests of the shareholders or the securities prices of the Company.
4. Any matter regarding a subsidiary or the unlisted (neither TWSE nor TPEX listed) parent of this Corporation constitutes material information required to be announced under the provisions of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities and of the GreTai Securities Market Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities.

If the parent of the Company is a foreign company, the Company shall make a filing of the following information on its behalf before the opening of trading hours on the first business day following the day on which the Company becomes aware of the information or on which there is media reporting of the information:

1. A material change in shareholder equity.
2. A material change in business policy.
3. A material disaster resulting in serious reduction or complete cessation of production.
4. A material effect on the rights and interests of shareholders or the parent's operations resulting from a change in the laws, regulations, or rules of the parent's home country.
5. Mass media reporting about the parent sufficient to affect the securities prices of this Corporation.
6. The occurrence of any other material event that, pursuant to the laws or regulations of the foreign company's home country, must be filed immediately.

**Article 16:** Matters not covered in this operating specification shall be handled in accordance with relevant regulations.

These Rules, and any amendments hereto, shall be implemented after adoption by the board of directors.

These Rules replaces the original "Transaction Procedures for Related Persons, Specific Companies and Group Enterprises". The aforementioned operating procedures shall become invalid upon the entry into force of this Operating Standard.

These Rules were established on May 9, 2023.

The second revision was on August 13, 2025.

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THIS IS A TRANSLATION OF RULES FOR ELECTION OF DIRECTORS 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.