

**Young Fast Optoelectronics Co.,
Ltd. and Subsidiaries**

**Consolidated Financial Statements
and Independent Auditors' Report**

2022 and 2021

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Statement

For the year 2022 (January 1 - December 31, 2022), the Company complies with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in that the companies that should be included in the preparation of the consolidated financial statements of the affiliated companies are the same as the companies that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies in accordance with IFRS 10 as approved by the Financial Supervisory Commission. In addition, the relevant information that should be disclosed in the consolidated financial statements of the associated companies has been disclosed in the consolidated financial statements of the parent and subsidiary companies of the former disclosure. Therefore, there is no separate preparation of consolidated financial statements of associated companies.

Hereby declared

Company name: Young Fast Optoelectronics Co., Ltd.

Date: February 23, 2023

Accountants' Audit Report

To the Board of Directors of Young Fast Optoelectronics Co., Ltd.:

Audit Opinion

We have completed our review of Young Fast Optoelectronics Co. and Subsidiaries (Young Fast Group) Consolidated Balance Sheet for December 31, 2022 and 2021; and Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1 – December 31, 2022 and 2021.

In our opinion, the aforementioned consolidated financial statements in all major respects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of Young Fast Group as of December 31, 2022 and 2021 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2022 and 2021.

Basis for audit opinion

We conducted our audits 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 Young Fast Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to the most important matters for the audit of Young Fast Group's 2022 consolidated financial statements based on our professional judgment. 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. In our judgment, revenue recognition constitutes a key audit matter to be communicated in the audit report.

For details of accounting policies regarding revenue recognition, please refer to Note 4 (16) of the consolidated financial statements on Recognition of Revenue; for details of revenue related disclosures, please refer to Note 6 (22) the consolidated financial statements.

Explanation of Key Audit Matters:

Sales revenue of Young Fast Group stands as the primary indicator for investors and management in evaluating its financial or business performance. Moreover, as a listed company, Young Fast Group is highly regarded by the investing public. Therefore, we identify revenue recognition as an important item in the audit of current year financial statements.

Corresponding Audit Procedures:

Our main audit procedures regarding the above key audit matters include:

- Testing the effectiveness of internal control design and implementation related to revenue recognition.
- Conducting trend analysis for the top ten customers in terms of sales, including a comparison of the customer list and sales revenue amounts between the current period and the most recent period and the same period of last year to assess whether there are any significant abnormalities. If there are major changes, the causes are identified and analyzed.
- Sampling and checking sales transactions of the whole year to evaluate the authenticity of sales transactions, the correctness of the recognized amounts of sales revenue, and the reasonableness of the time of accounting.
- Testing a sample of sales transactions in the period before and after the end of the year to assess whether the timing of revenue recognition is appropriate.

Other Matters

Young Fast Optoelectronics Co., Ltd. has prepared parent company only financial statements for 2022 and 2021, and the audit reports with unqualified opinions that we have issued are on file 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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of Young Fast Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Young Fast 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 the financial reporting process of Young Fast Group.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. 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. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Young Fast Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of Young Fast Group. 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 inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Young Fast Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the parent company only financial information within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion regarding the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the governance unit, we have determined key audit matters of Young Fast Group's 2022 consolidated financial statements. We describe these matters in our auditor's 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.

KPMG Taiwan
CERTIFIED PUBLIC ACCOUNTANTS
February 23, 2023

Young Fast Optoelectronics Co., Ltd. and Subsidiaries

Consolidated balance sheet

December 31, 2022 and 2021

Unit: NTD Thousand

		2022.12.31		2021.12.31				2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
	Assets						Liabilities and Equity				
11xx	Current Assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (Notes 6 (1) and(8))	\$ 546,502	9	358,053	6	2100	Short-term loans (Notes 6 (15) and 9)	\$ -	-	132,641	2
1110	Current financial assets at fair value through profit or loss (Note 6 (2))	74,970	1	57,132	1	2130	Current contract liabilities (Note 6 (22))	5,579	-	6,028	-
1120	Current financial assets at fair value through other comprehensive income (Note 6 (3))	3,196,620	51	3,159,014	52	2150	Notes payable	546	-	675	-
1136	Financial assets measured at amortized cost - current (Notes 6 (4))	70,710	1	-	-	2170	Accounts payable	96,380	2	148,099	3
1150	Notes receivable, net (Note 6 (5) and (23))	102,952	2	111,718	2	2180	Accounts payable, related parties (Note 7)	5,607	-	8,675	-
1170	Accounts receivable, net (Note 6 (5) and (23))	96,016	2	159,832	3	2200	Other payables (Note 6 (23) and 7)	184,978	3	175,032	4
1180	Accounts receivable due from related parties (Note 6 (5), (22) and 7)	24,242	-	15,476	-	2230	Current tax liabilities	20,408	-	19,604	-
1200	Other receivables (Note 6 (6))	5,758	-	3,665	-	2250	Current provisions (Note 6 (17))	34,249	1	16,104	-
130X	Inventory (Notes 6 (7) and 9)	237,781	4	327,332	5	2281	Lease liabilities (Notes 6 (16))	113	-	94	-
1470	Other current assets	11,249	-	16,754	-	2282	Lease liabilities—Related parties (Notes 6 (16) and 7)	17,168	-	17,421	-
	Total current assets	<u>4,366,800</u>	<u>70</u>	<u>4,208,976</u>	<u>69</u>	2399	Other current liabilities	5,780	-	4,496	-
15xx	Non-current assets:						Total current liabilities	<u>370,808</u>	<u>6</u>	<u>528,869</u>	<u>9</u>
1517	Non-current financial assets at fair value through other comprehensive income (Note 6 (3))	154,905	2	128,266	2	25xx	Non-current liabilities:				
1536	Financial assets measured at amortized cost - current (Notes 6 (4) and 8)	-	-	2,632	-	2551	Provision for employee benefit liabilities, non-current (Note 6 (18))	5,337	-	8,405	-
1550	Investments accounted for using equity method, net (Note 6 (9))	327,189	5	297,329	5	2552	Provision for long-term liabilities for warranties (Note 6 (17))	93,936	1	80,284	1
1600	Property, plant and equipment (Notes 6 (11) and 9)	870,838	14	868,016	14	2556	Provision for long-term liabilities for decommissioning, rehabilitation, and restoration costs (Note 6 (17))	5,164	-	6,131	-
1755	Right of use assets (Notes 6 (12), (16) and 7)	134,793	2	140,683	3	2570	Deferred tax liabilities (Note 6 (19))	932	-	2,003	-
1760	Investment real estate, net (Note 6 (13))	303,792	5	297,285	5	2581	Lease liabilities (Notes 6 (16))	19,029	-	17,254	-
1780	Intangible assets (Note 6 (14))	5,172	-	6,060	-	2582	Lease liabilities—Related parties (Notes 6 (16) and 7)	51,549	1	61,622	1
1840	Deferred tax assets (Note 6 (19))	39,813	1	32,981	1	2670	Other non current liabilities (Note 7)	82,451	2	72,505	1
1915	Prepaid equipment (Note 6 (11))	8,964	-	15,842	-		Total non-current liabilities	<u>258,398</u>	<u>4</u>	<u>248,204</u>	<u>3</u>
1990	Other non-current assets (Note 6 (6))	69,594	1	62,500	1	2xxx	Total liabilities	<u>629,206</u>	<u>10</u>	<u>777,073</u>	<u>12</u>
	Total non-current assets	<u>1,915,060</u>	<u>30</u>	<u>1,851,594</u>	<u>31</u>	31xx	Owners' equity attributable to the parent company (Notes VI (8), (9), (10) and (20)):				
						3110	Share capital from common stock	<u>1,513,276</u>	<u>24</u>	<u>1,513,276</u>	<u>25</u>
						3200	Capital reserve	<u>2,001,516</u>	<u>32</u>	<u>2,077,180</u>	<u>34</u>
							Retained earnings:				
						3310	Legal reserve	71,324	1	43,385	1
						3350	Undistributed surplus earnings	817,484	13	532,991	9
							Total retained earnings	<u>888,808</u>	<u>14</u>	<u>576,376</u>	<u>10</u>
						3400	Other equity interest	<u>1,187,733</u>	<u>19</u>	<u>1,062,751</u>	<u>18</u>
							Subtotal of equity attributable to owners of parent company	<u>5,591,333</u>	<u>89</u>	<u>5,229,583</u>	<u>87</u>
						36xx	Non-controlling interests	<u>61,321</u>	<u>1</u>	<u>53,914</u>	<u>1</u>
						3xxx	Total Equity	<u>5,652,654</u>	<u>90</u>	<u>5,283,497</u>	<u>88</u>
						2-3xxx	Total liabilities and equity	<u>\$ 6,281,860</u>	<u>100</u>	<u>6,060,570</u>	<u>100</u>
1xxx	Total assets	<u>\$ 6,281,860</u>	<u>100</u>	<u>6,060,570</u>	<u>100</u>						

(Please refer to the attached notes to the consolidated financial statements)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

		Unit: NTD Thousand			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 6 (21) and 7)	\$ 1,545,646	100	1,449,291	100
5000	Operating costs (Notes 6 (7), (10), (11), (13), (15), (16), (17), 7, and 12)	1,137,404	74	1,167,724	81
5900	Gross profit	408,242	26	281,567	19
6000	Operating expenses (Notes 6 (5), (6), (10), (11), (13), (15), (17), (22), 7, and 12):				
6100	Marketing expenses	46,369	3	38,561	3
6200	Management expenses	135,733	9	139,071	10
6300	Research and development expenses	41,092	2	45,049	3
6450	Expected credit loss	(15,574)	(1)	4,795	-
	Total operating expenses	207,620	13	227,476	16
6900	Net operating profit (loss)	200,622	13	54,091	3
7000	Non-operating revenue and expenses (Notes 6 (2), (8), (9), (12), (15), (23), 7 and 12):				
7100	Interest income	3,600	-	293	-
7010	Other income	204,496	13	185,534	13
7020	Other gains and losses	(7,863)	-	2,132	-
7050	Finance costs, net	(3,495)	-	(3,250)	-
7060	Share of profit of associates accounted for using equity method	52,576	3	25,702	2
	Total non-operating revenue and expenses	249,314	16	210,411	15
7900	Net profit from continuing operations before tax	449,936	29	264,502	18
7950	Less: Income tax expense (Note 6 (18))	16,066	1	29,973	2
8000	Net profit from continuing operations	433,870	28	234,529	16
	Profit or loss from discontinued operations:				
8100	Gain (loss) from discontinued operations, net of tax (Note 6 (8))	-	-	61,936	4
8200	Net profit for the period	433,870	28	296,465	20
8300	Other comprehensive income (Note 6 (9), (17), (18), and (19)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plan	2,714	-	(50)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	21,486	1	574,849	40
8320	Share of other comprehensive profits and losses of affiliated companies recognized using the equity method	139	-	(3)	-
8349	Income tax related to components of other comprehensive	543	-	(10)	-
	Total items that will not be reclassified to profit or loss	23,796	1	574,806	40
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	102,110	7	(110,763)	(8)
8370	Share of other comprehensive profits and losses of affiliated companies recognized using the equity method	1,386	-	(567)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may subsequently be reclassified to profit or loss	103,496	7	(111,330)	(8)
8300	Other comprehensive income for the current period	127,292	8	463,476	32
8500	Total comprehensive income for the current period	\$ 561,162	36	759,941	52
	Profit attributable to:				
8610	Owners of parent	\$ 416,051	27	279,430	19
8620	Non-controlling interests	17,819	1	17,035	1
		\$ 433,870	28	296,465	20
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 543,343	35	742,906	51
8720	Non-controlling interests	17,819	1	17,035	1
		\$ 561,162	36	759,941	52
9750	Basic EPS (Unit: New Taiwan Dollars) (Note 6 (20))				
	Net profit derived from continuing operations	\$	2.75		1.44
	Net profit (loss) derived from discontinued operations		-		0.41
		\$	2.75		1.85
9850	Diluted EPS (Unit: New Taiwan Dollars) (Note 6 (20))				
	Net profit derived from continuing operations	\$	2.74		1.43
	Net profit (loss) derived from discontinued operations		-		0.41
		\$	2.74		1.84

(Please refer to the attached notes to the consolidated financial statements)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD Thousand

	Equity attributable to owners of parent										
	Retained earnings					Total other equity interest		Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
	Share capital from common stock	Capital reserve	Legal reserve	Undistributed surplus earnings	Total						
Balance at January 1, 2021	\$ 1,513,276	2,228,508	24,523	272,466	296,989	21,361	577,871	599,232	4,638,005	44,316	4,682,321
Earnings allocation and distribution:											
Provision for legal reserve	-	-	18,862	(18,862)	-	-	-	-	-	-	-
Changes in other capital reserve:											
Cash dividends from capital reserve	-	(151,328)	-	-	-	-	-	-	(151,328)	-	(151,328)
Net profit for the period	-	-	-	279,430	279,430	-	-	-	279,430	17,035	296,465
Other comprehensive income, net of tax, for the period	-	-	-	(43)	(43)	(111,330)	574,849	463,519	463,476	-	463,476
Total comprehensive income for the period	-	-	-	279,387	279,387	(111,330)	574,849	463,519	742,906	17,035	759,941
Reduction in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,437)	(7,437)
Balance at December 31, 2021	1,513,276	2,077,180	43,385	532,991	576,376	(89,969)	1,152,720	1,062,751	5,229,583	53,914	5,283,497
Earnings allocation and distribution:											
Provision for legal reserve	-	-	27,939	(27,939)	-	-	-	-	-	-	-
Common stock cash dividend	-	-	-	(105,929)	(105,929)	-	-	-	(105,929)	-	(105,929)
Changes in other capital reserve:											
Cash dividends from capital reserve	-	(75,664)	-	-	-	-	-	-	(75,664)	-	(75,664)
Net profit for the period	-	-	-	416,051	416,051	-	-	-	416,051	17,819	433,870
Other comprehensive income, net of tax, for the period	-	-	-	2,310	2,310	103,496	21,486	124,982	127,292	-	127,292
Total comprehensive income for the period	-	-	-	418,361	418,361	103,496	21,486	124,982	543,343	17,819	561,162
Reduction in non-controlling interests	-	-	-	-	-	-	-	-	-	(10,412)	(10,412)
Balance at December 31, 2022	\$ 1,513,276	2,001,516	71,324	817,484	888,808	13,527	1,174,206	1,187,733	5,591,333	61,321	5,652,654

(Please refer to the attached notes to the consolidated financial statements)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD Thousand

	2022	2021
Cash flows from operating activities:		
Profit (loss) from continuing operations before tax	\$ 449,936	264,502
Pre-tax net profit (loss) from discontinued operations	-	61,936
Net profit before tax for the current period	<u>449,936</u>	<u>326,438</u>
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	117,294	94,721
Amortization expense	1,064	331
Expected credit loss	(15,574)	4,795
Loss (gain) on financial assets at fair value through profit or loss	(7,120)	3,780
Interest expense	3,495	3,250
Interest income	(3,600)	(351)
Dividend income	(128,166)	(115,581)
Share of profit of associates accounted for using equity method	(52,576)	(25,702)
Proceeds from disposal of property, plant and equipment	(16,264)	(120)
Lease modification benefits	(28,163)	-
Lease modification gains	(292)	(39)
Disposal gain on discontinued operations	-	(65,633)
Total income and expense items	<u>(129,902)</u>	<u>(100,549)</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Current Financial Assets at Fair Value through Profit or Loss	(10,718)	-
Notes receivable	25,347	(8,085)
Accounts receivable (including related parties)	54,043	(92,206)
Other receivables (including related parties)	(2,122)	1,930
Inventory	89,551	(129,814)
Other current assets	5,505	(4,619)
Other non-current assets	(2,229)	13,979
Total changes in operating assets, net	<u>159,377</u>	<u>(218,815)</u>
Changes in operating liabilities, net:		
Contract liabilities	(449)	(8,955)
Notes payable	(129)	643
Accounts payable (including related parties)	(54,787)	26,037
Other payables	12,203	12,697
Provisions	30,830	39,764
Other current liabilities	1,284	181
Non-current net defined benefit liability	(354)	(385)
Decrease in other operating liabilities	<u>(11,402)</u>	<u>69,982</u>
Net changes in operating assets and liabilities	<u>147,975</u>	<u>(148,833)</u>
Total adjustments	<u>18,073</u>	<u>(249,382)</u>
Cash inflow generated from operations	468,009	77,056
Interest received	3,600	351
Interest paid	(3,495)	(3,250)
Payment of income tax	<u>(23,679)</u>	<u>(14,839)</u>
Net cash inflow from operating activities	<u>444,435</u>	<u>59,318</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(42,759)	(129,276)
Capital reduction of non-current financial assets at fair value through other comprehensive income	-	19,418
Acquired financial assets measured at amortized cost	(70,710)	(827)
Disposal of financial assets at amortised cost	2,632	-
Acquisition of property, plant and equipment	(26,968)	(73,301)
Disposal of property, plant and equipment	17,270	120
Increase in refundable deposits	1,008	(361)
Acquisition of intangible assets	-	(6,138)
Acquisition of Investment real estate	(816)	-
Decrease (increase) in prepaid equipment	(8,964)	5,551
Dividends received	<u>152,407</u>	<u>139,822</u>
Net cash flows (used in) from investing activities	<u>23,100</u>	<u>(44,992)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	806,873	797,760
Decrease in short-term borrowings	(946,524)	(689,529)
Increase (decrease) in deposits received	3,897	2,625
Payment of lease liabilities	(17,387)	(17,602)
Payment of cash dividends	(181,593)	(151,328)
Change in non-controlling interests	(10,412)	(7,437)
Net cash flows used in financing activities	<u>(345,146)</u>	<u>(65,511)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>66,060</u>	<u>(24,635)</u>
Net decrease in cash and cash equivalents for the period	<u>188,449</u>	<u>(75,820)</u>
Cash and cash equivalents at beginning of period	<u>358,053</u>	<u>433,873</u>
Cash and cash equivalents at end of period	<u>\$ 546,502</u>	<u>358,053</u>

(Please refer to the attached notes to the consolidated financial statements)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries Notes to the Consolidated Financial Statements 2022 and 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company history

Young Fast Optoelectronics Co., Ltd. (“the Company”), previously known as Dahelong Electromechanical Co., Ltd., was established and registered with the approval of the Ministry of Economic Affairs on July 30, 2002, in accordance with the Company Law and its relevant laws and regulations, and obtained registration as a for-profit enterprise with its main business being the manufacture of power cable accessories such as power generation, transmission and distribution. Please refer to Note 14 for details.

(Original) Young Fast Optoelectronics Co., Ltd. (formerly Young Fast Optoelectronics Company) was established on August 1, 2007 in accordance with the Business Mergers and Acquisitions Act. Its main business items are the research and development, manufacturing, and sales of various types of touch panels. Please refer to Note 14 for details.

In order to improve our operational performance and competitiveness, the Company passed a resolution of its extraordinary shareholders’ meeting of November 23, 2007 to undergo a merger with the former Young Fast Optoelectronics Company and change the Company’s name to Young Fast Optoelectronics Co., Ltd. Following the merger, the Company was to be the surviving company with a swap of 0.5 common shares of the original Young Fast Optoelectronics for 1 common share of the Company. All rights and obligations of the original Young Fast Optoelectronics was to be generally accepted by the Company. The Company issued 84,000 thousand ordinary shares for the merger and capital increase, and December 24, 2007 was the base date for the merger and capital increase and issuance of new shares.

The Company passed a resolution of the Board of Directors on April 28, 2017 such that in accordance with Article 19 of the Business Mergers And Acquisitions Act and taking May 31, 2017 as the base date, a simple merger was undertaken with the 100%-owned reinvested companies Lucky Chance Enterprise Co., Ltd. (“Lucky Chance”) and with Lead Well Technology Co., Ltd. (“Lead Well”). After the mergers, Lucky Chance and Lead Well were to be the extinguished companies and the Company was to be the surviving company.

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

II. Approval date and procedures of the financial statements

These consolidated financial statements were published after authorization by the Board of Directors on February 23, 2023.

III. New standards, amendments and interpretations adopted

(I) The impact of adopting the newly issued and revised standards and interpretations approved by the Financial Supervisory Commission (“the FSC”).

The Group will apply the following newly amended International Financial Reporting Standards from January 1, 2022, and there is no significant impact on the consolidated financial statements.

- Amendments to IAS 16 “Property, Plant, and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”
- Annual Improvements to IFRSs2018-2020 Cycle
- Amendments to IFRS 3 “References to Conceptual Frameworks”

(II) Implications of adopting International Financial Reporting Standards not yet endorsed by the FSC

The following amended IFRSs will take effect on January 1, 2023, and may have the following impact:

1. Amendment to IAS 1 “Disclosure of Accounting Policies”

The main content of the amendment includes the following:

- Entities are required to disclose their material, as opposed to important, accounting policies;
- Entities are required to state that the accounting policies in relation to immaterial transactions or other matters or circumstances are immaterial and thus need not be disclosed.
- Entities are required to state that the accounting policies in relation to immaterial transactions or other matters or circumstances are crucial to the entities’ financial statements.

The Company is assessing the reviewing the accounting policies to be disclosed in the parent company only financial statements, to align with the amendment.

2. Others

The Company does not expect the following amended standards to have a material impact on its parent company only financial statements.

- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”
- Amendment to IAS 8 “Definition of Accounting Estimates”

(III) The impact of IFRS issued by IASB but not yet endorsed by the FSC

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Regarding IFRSs that have been issued by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC, points of likely concern are as follows:

New or amended standards	Main points of amendment	Effective date of IASB publication
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amended clause has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the above mentioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other unapproved new and revised standards to have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

IV. Summary of significant accounting policies

A summary of the significant accounting policies adopted in the consolidated

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

financial statements is as follows. The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) and International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), and Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) as endorsed by the Financial Supervisory Committee (hereinafter the “FSC-endorsed IFRS standards”).

(II) Compilation basis

1. Measurement basis

Except for the following significant items of the balance sheet, the consolidated financial statements have been prepared on a historical cost basis:

- (1) Financial assets at fair value through profit or loss measured at fair value;
- (2) Financial assets at fair value through other comprehensive income measured at fair value;
- (3) Defined benefit liabilities are measured by adding unrecognized upfront service costs and unrecognized actuarial losses to pension fund assets, less unrecognized actuarial benefits and the present value of defined benefit obligations, and the impact of the upper limit stated in Note 4 (18).

2. Functional currency and currency of presentation

Each entity of the Group uses the currency of the primary economic environment in of said entity's operations as its functional currency. The consolidated financial statements are expressed in the Company's functional currency, which is the New Taiwan Dollar. All financial information presented in New Taiwan Dollars is in thousands of New Taiwan Dollars.

(III) Basis of consolidation

1. Principles for the preparation of the consolidated financial statements

Entities preparing the consolidated financial statements include the Company and its subsidiaries.

From the date that control over a subsidiary is obtained, its financial statements will be included in the consolidated financial statements until the date when such control is no longer in effect. Profits or losses attributable to non-controlling interests in subsidiaries are attributed to the non-controlling interests even if the non-controlling interests thus bring a balance in loss.

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Intercompany transactions, balances, and any unrealized gains and losses have been eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are treated as equity transactions with the owner.

2. Subsidiaries of these consolidated financial statements are listed as follows:

Name of Investing Company	Subsidiary name	Nature of business	Shareholding ratio		Explanation
			2022.12.31	2021.12.31	
The Company	Young Fast (BELIZE) Co., Ltd. (Young Fast Belize)	Professional investment	100.00%	100.00%	Note 1
The Company	Young Fast (SAMOA) Co., Ltd. (Young Fast Samoa)	Professional investment	100.00%	100.00%	Note 1 、 3
The Company	Taiwan SRU Corporation Limited (Taiwan SRU)	Manufacturing of wire and cable accessories	51.00%	51.00%	
The Company	Youwei Photoelectricity (Huizhou) Co., Ltd. (Youwei)	Manufacturing of touch panels	- %	-%	Note 2
Young Fast Belize	Young Fast Optoelectronics (HK) Co., Ltd. (Young Fast Hong Kong)	Professional investment	- %	100.00%	Note 1
Young Fast Samoa	Young Fast Optoelectronics (VIETNAM) Co., Ltd. (Young Fast Vietnam)	Manufacture and sales of touch panels	100.00%	100.00%	Note 1
Young Fast Samoa	Tengyang Optoelectronics (Huizhou) Co., Ltd. (Tengyang Optoelectronics)	After sales services (labor)	100.00%	100.00%	

Note 1: The Company passed a resolution of the Board of Directors on November 13, 2019, such that in response to the adjustment of the internal investment structure of the Group, Young Fast Belize invested in Young Fast Hong Kong and then re-invested in Young Fast Vietnam, and Young Fast Hong Kong sold and transferred its equity in Young Fast Vietnam to Young Fast Samoa. Furthermore, through the completion of operations of Young Fast Hong Kong, Young Fast Belize was to be liquidated after the completion of the liquidation of Young Fast Hong Kong. Note 1: On March 25, 2020, as resolved by the Board of Directors, the transaction amount of Young Fast Hong Kong's transfer of Young Fast Vietnam was USD 22.2 million with reference to opinions issued by experts. Furthermore, on August 28, 2020, a contract for the transfer of the equity of Young Fast Vietnam was signed based on the aforementioned amount, and the base date for the equity transfer was August 31, 2020. The aforementioned equity transfer procedure was completed on July 23, 2021. Young Fast Hong Kong already completed all liquidation proceedings on August 19, 2022. Young Fast Belize was still undergoing the liquidation proceeding

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

on December 31, 2022, and already wired back the liquidation proceeds of 529,540 thousand.

Note 2: On November 11, 2015, the Board of Directors of the Company passed a resolution for the liquidation of Youwei, and all liquidation procedures were completed on December 15, 2021.

Note 3: The Company's Board of Directors' meetings dated March 11, 2022 and August 10, 2022 resolved to conduct a follow-on offering for NT\$684,333 thousand, i.e. USD23,500 thousand, for investment in Young Fast (Samoa) and to conduct a capital reduction to compensate for prior losses of NT\$278,604 thousand, i.e. USD9,305, respectively, and already registered the change in registered capital on July 7, 2022 and December 20, 2022, respectively.

3. Subsidiaries excluded from the consolidated financial statements: None.

(IV) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into functional currency at the exchange rate as of the date of transaction. On the end date of each subsequent reporting period (the "reporting date"), foreign currency monetary items are converted into the functional currency according to the exchange rate of that date.

Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate on the day when the fair value was measured. Foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction. Foreign currency translation differences arising from translation are normally recognized in profit or loss. However, foreign currency translation differences arising from the translation of equity investments at fair value through other comprehensive income are recognized in other comprehensive income.

2. Foreign operating entities

Assets and liabilities of foreign operating entities, including goodwill arising from acquisitions and fair value adjustments, are translated into the currency of presentation of the entity's financial statements at the exchange rate on the reporting date; items of income and expenses are translated into the currency of presentation of the consolidated financial statements at the average exchange rate of the current period, and the resulting exchange differences are recognized as other comprehensive income.

When disposal of a foreign operating entity results in a loss of control, joint control, or significant influence, the accumulated exchange differences related to

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

the foreign operating entity are fully reclassified to profit or loss. In the case of partial disposal of a subsidiary that includes a foreign operating entity, the relevant accumulated exchange differences are re-attributed to non-controlling interests on a pro rata basis. When partially disposing of an investment involving an affiliated enterprise or a joint venture of a foreign operating entity, the relevant accumulated exchange differences are reclassified to profit or loss on a pro rata basis.

For monetary receivables or payables to foreign operating entities, if there is no repayment plan and it is impossible to repay in the foreseeable future, the foreign currency exchange gains and losses arising therefrom are regarded as part of the net investment in the foreign operating entity and are recognized as other comprehensive income.

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

Assets that meet one of the following conditions are classified as current assets; all other assets that are not current assets are classified as non-current assets:

1. The asset is expected to be recognized in its normal operating cycle, or there is intent to sell or consume it;
2. The asset is held mainly for trading purposes;
3. The asset is expected to be recognized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent, unless there are other restrictions on exchanging the asset or using it to settle a liability at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. It is expected that the liability will be settled during the normal operating cycle;
2. The liability is held mainly for trading purposes;
3. The liability is expected to be settled within twelve months after the reporting period; or
4. The liability does not have an unconditional right to defer settlement to at least twelve months after the reporting period. The terms of the liability, which may be liquidated by the issuance of equity instruments at the choice of the counterparty, do not affect their classification.

(VI) Cash and cash equivalents

Cash includes cash on hand, checking deposits, and demand deposits. Cash

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

equivalents are short-term, highly liquid investments that are readily convertible into fixed amounts of cash with little risk of changes in value. Fixed deposits that meet the above definition and are held for short-term cash commitments, rather than investment or other purposes, are presented in cash equivalents.

Bank overdrafts are immediately repayable and form part of the Group's overall cash management, and are included in the cash flow statement as a component of cash and cash equivalents.

(VII) Financial instruments

Accounts receivable are originally recognized as they are incurred. All other financial assets and financial liabilities are originally recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets and financial liabilities not measured at fair value through profit or loss (except for accounts receivable that do not contain significant financial components) are originally measured at fair value plus transaction costs directly attributable to their acquisition or issuance. Accounts receivable that do not contain significant financial components are originally measured at their transaction prices.

1. Financial assets

When the purchase or sale of financial assets conforms to conventional transactions, the Group shall adopt transaction-day accounting for all purchases and sales of financial assets classified in the same way.

Financial assets are classified as: financial assets at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss. The Group reclassifies all affected financial assets from the first day of the following reporting period only when changing the business model for managing financial assets.

(1) Financial assets measured at amortized cost

Financial assets are measured at amortized cost when they meet both of the following conditions and when they are not designated as fair value through profit or loss:

- The financial asset is held under the operating model for the purpose of collecting contractual cash flow.
- The contractual terms of the financial asset generate cash flows on a specified date and entirely for the sake of payment of principal and interest on the principal amount in circulation.

The assets in question are subsequently calculated by adding or subtracting the original recognized amount to the accumulated amortization

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

amount calculated using the effective interest method, and adjusts any measure of post amortized cost of loss allowance. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Upon derecognition, profits or losses are to be included under profit or loss.

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

At the original time of recognition, the Group may make an irrevocable election to present subsequent changes in fair value of investments in equity instruments not held for trading in other comprehensive income. The foregoing elections are made on the basis of the individual instrument.

Investments in equity instruments are to be subsequently measured at fair value. Dividend income is to be recognized under profit or loss (unless it clearly represents the recovery of a portion of the investment cost). Remaining net gains or losses are to be recognized as other comprehensive income and are not to be reclassified to profit or loss.

Dividend income from equity investments is to be recognized on the date when the Group is entitled to receive dividends (usually the ex-dividend date).

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

Financial assets other than those measured at amortized cost above or at fair value through other comprehensive income are to be measured at fair value through profit or loss. In order to eliminate or significantly reduce accounting misalignments at the original time of recognition, financial assets that meet the criteria to be measured at amortized cost or at fair value through other comprehensive income may be irrevocably designated by the Group as financial assets at fair value through profit or loss.

These assets are to be subsequently measured at fair value and their net gains or losses are to be recognized in profit or loss (including their associated dividends and interest income).

(4) Impairment of financial assets

The Group recognizes loss allowance for expected credit losses on financial assets measured at amortized cost.

Loss allowance for bills and accounts receivables are measured based on expected credit loss during the period. Other financial assets measured at amortized cost are based on reasonable and corroborative information (obtainable without undue cost or investment), including qualitative and quantitative information; and based on the Group's historical experience, credit

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

assessment and analysis of forward-looking information, if the credit risk has not increased significantly since the original recognition, the impairment is measured by the 12-month expected credit loss. If it is assessed that credit risk has increased significantly since original recognition, the impairment is measured according to the duration of the credit losses.

Expected credit loss during the period refers to the expected credit losses arising from all possible default events during the expected period of a financial instrument.

Twelve-month expected credit loss constitutes expected credit losses arising from possible defaults of financial instruments within twelve months after the reporting date (or a shorter period if the expected duration of the financial instrument is less than twelve months).

The maximum period over which expected credit losses are measured is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are probability-weighted estimates of credit losses over the expected lifetime of a financial instrument. Credit losses are measured at the present value of all cash shortfalls; that is, the difference between the cash flows that the Group can receive under the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate on the financial asset.

Loss allowance for financial assets measured at amortized cost are deducted from the asset's carrying amount. Amounts set aside or reversed from loss allowance are recognized in profit or loss.

When the Group cannot reasonably expect to recover the financial assets in whole or in part, it directly reduces the total carrying amount of its financial assets. For company accounts, the Group analyzes the timing and amount of write-offs individually on the basis of whether they are reasonably expected to be recoverable. The Group does not expect a material reversal of the written-off amounts. However, financial assets that have been written off remain enforceable in order to comply with the Group's procedures for recovering overdue amounts.

(5) Derecognition of financial assets

The Group derecognizes financial assets only upon termination of the contractual rights to cash flows from the asset, or upon transfer of the financial assets where substantially all risks and rewards of ownership of the asset have been transferred to other enterprises, or when substantially all risks and

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

rewards of title have neither been transferred nor retained and we do not retain control of the financial asset.

When the Group enters into a transaction to transfer financial assets, if all or substantially all risks and rewards of title to the transferred assets are retained, they shall continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Equity Instruments

An equity instrument constitutes any contract that recognizes the Group's remaining interest in assets less all of its liabilities. Equity instruments issued by the Group are recognized at the price obtained after deducting direct issue costs.

(2) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in profit or loss. Any gain or loss upon derecognition is also recognized in profit or loss.

(3) Derecognition of financial liabilities

Financial liabilities of the Group are to be derecognized when the contractual obligations have been fulfilled, canceled, or expired. When the terms of financial liabilities are modified and the cash flows of the modified liabilities are substantially different, the original financial liabilities are to be derecognized and new financial liabilities are to be recognized at fair value based on the modified terms.

When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is to be recognized in profit or loss.

(4) Offset of financial assets and liabilities

Financial assets and financial liabilities shall only be offset when the Group currently has legally enforceable rights to offset each other and intends to settle on a net basis or to realize assets and settle liabilities at the same time. They are to be offset against each other and presented on a net basis on the balance sheet.

(VIII) Inventories

Inventories are measured at the lower of cost and net realizable value. Costs include acquisition, production or processing costs, and other costs incurred to bring them to a place and condition in which it is ready for use, and are calculated using

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

the weighted average method. The cost of finished goods and work-in-progress inventories includes an appropriate proportion of manufacturing overhead allocated to normal production capacity.

Net realizable value represents the estimated selling price under normal operations less the estimated costs to be spent on completion and the estimated costs to complete the sale.

(IX) Investment related companies

An affiliate is a company over which the Group holds significant influence over its financial and operating policies but it is not controlled or jointly controlled.

The Group adopts the equity method to deal with equity in affiliated companies. Under the equity method, it is recognized at cost at the time of original acquisition and investment costs include transaction costs. The carrying amount of an investment in an affiliated company includes the goodwill identified at the time of the original investment less any accumulated impairment losses.

The consolidated financial statements cover from the date of material impact to the date of loss of material impact. After making adjustments consistent with the Group's accounting policies, the Group recognizes the amount of profit and loss and other comprehensive income of each invested affiliate in proportion to its equity. When there is a change in non-income items and other comprehensive income of an affiliated company that does not affect the Group's associated shareholding ratio, the Group recognizes changes in equity attributable to the Group's share of the affiliated companies as capital reserve in proportion to its shareholding.

Unrealized profits and losses arising from transactions between the Group and its affiliates are only recognized in the corporate financial statements within the scope of the rights and interests of non-related party investors in the affiliated companies.

When the proportion of losses that the Group should recognize in an affiliated company is equal to or exceeds our equity in the affiliated company, recognition of such losses should be halted; and additional losses and related liabilities are to be recognized only to the extent that statutory obligations, constructive obligations, or payments have been made on behalf of the investee company.

(X) Investment real estate

Investment real estate is held for lease income or asset appreciation or both, constituting real estate that is not for sale in normal business, for production, provision of goods or services, or for administrative purposes. Investment real estate is originally measured at cost and subsequently it is measured by cost less

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

accumulated depreciation and accumulated impairment. Its depreciation method, useful life, and residual value shall be treated in accordance with the provisions of property, plant and equipment.

Investment real estate disposal gains or losses (calculated by the difference between the net disposal price and the carrying amount of the item) are recognized in profit or loss.

Lease income from investment real estate is recognized as non-operating income on a straight-line basis over the lease term. Lease incentives are recognized as part of the lease income during the leasing period.

(XI) Property, plant and equipment

1. Identification and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment.

When the useful lives of major components of property, plant and equipment are different, they are treated as separate items (major components) of property, plant and equipment.

Disposal gains or losses from property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenses are capitalized only when it is probable that their future economic benefits will flow to the Company.

3. Depreciation

Depreciation is calculated as the cost of the asset less the residual value. It is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land is not depreciated.

Estimated useful life for the current and comparison periods are as follows:

Housing and construction	2 to 40 years
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Machinery and equipment	1 to 9 years
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Leased assets	3 to 20 years
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Other equipment	1 to 8 years
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The Group reviews the depreciation method, useful life and salvage value on each reporting date and makes appropriate adjustments when necessary.

(XII) Leases

The Group assesses whether a contract constitutes or contains a lease on the date of establishment of the contract. If a contract transfers control over the use of

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

an identified asset for a period of time in exchange for consideration, the contract constitutes or contains a lease.

1. As a lessee

The Group recognizes right-of-use assets and lease liabilities as of the lease commencement date. Right-of-use assets are initially measured at cost, which includes the original measured amount of the lease liability adjusted for any lease benefits paid on or before the lease commencement date, plus the original direct costs incurred and the estimated costs for dismantling, removing, and restoring the location or the underlying asset, and also net of any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease inception date to the expiry of the useful life of the right-of-use asset or the expiry of the lease term, whichever is earlier. In addition, the Group regularly assesses whether the right-of-use asset is impaired and handles any impairment losses that have occurred. The right-of-use asset is adjusted in conjunction with the remeasurement of the lease liability.

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date of the lease. If the interest rate implied by the lease is easily determined, then the discount rate is that rate. If it is not easily determined, the Group's incremental borrowing rate of interest shall be used. Generally speaking, the Group adopts its incremental borrowing rate of interest as the discount rate.

Lease payments included in the measurement of lease liabilities include:

- (1) Fixed payments, including substantial fixed benefits;
- (2) Changes in lease benefits depending on an index or rate, using the index or rate on the lease commencement date as the original measure;
- (3) The residual value guarantee amount expected to be paid; and
- (4) The exercise price or penalty payable when it is reasonably certain that a purchase option or lease termination option will be exercised.

Interest on a lease liability is subsequently accrued using the effective interest method, and its amount is re-measured when the following conditions occur:

- (1) There are changes in the index or rate used to determine lease payments resulting in changes in future lease payments;
- (2) There are changes in the residual value guarantee amount expected to be paid;
- (3) There are changes in the assessment of the underlying asset purchase option;

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

- (4) There are changes in estimates of whether to exercise extension or termination options and changes in the assessment of the lease term;
- (5) There are modifications to the subject matter, scope, or other terms of the lease.

When the lease liability is re-measured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the assessment of options to purchase, extend, or terminate, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, constituting a reduction in the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, the difference between this and the remeasured amount of the lease liability is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

For short-term leasing of some office and transportation equipment and the lease of low-value target assets, the Group chooses not to recognize right-of-use assets and lease liabilities. Instead, the related lease payments are recognized as expenses on a straight-line basis over the lease term.

2. As a lessor

In transactions where the Group is the lessor, classification of lease contracts is undertaken by whether they transfer substantially all risks and rewards of ownership of the underlying asset on the lease inception date. If this is the case, a lease is classified as a finance lease; otherwise, it is classified as an operating lease. At the time of evaluation, the Group considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying asset.

If the Group is a lessor of a sublease, the main lease and sublease transactions are handled separately. The classification of sublease transactions is also assessed with the right-of-use asset arising from the main lease. If a sublease transaction meets the definition of investment real estate, the sublease transaction shall be classified as investment real estate.

For business leases, the Group recognizes lease payments received as lease income over the lease term on a straight-line basis.

(XIII) Intangible assets

1. Identification and measurement

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Intangible assets are measured at cost less accumulated amortization and accumulated impairment.

2. Subsequent expenses

Subsequent expenses are capitalized only to the extent that they increase the future economic benefits of the specific asset in question.

3. Amortization

Amortization is calculated based on the cost of the asset less the estimated residual value, and is recognized in profit or loss using the straight-line method over its estimated useful life from when the intangible asset is ready for use.

Estimated useful life for the current and comparison periods are as follows:

Computer software	3 to 8 years
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The Group reviews the intangible asset amortization method, useful life and salvage value on each reporting date and makes appropriate adjustments when necessary.

(XIV) Impairment of non-financial assets

The Group assesses on each reporting date whether there is an indication that the carrying amount of non-financial assets may be impaired (except for inventories, deferred tax assets, and assets arising from employee benefits). If any such sign is present, then the recoverable amount of the asset is estimated.

For the purposes of the impairment test, the smallest identifiable group of assets is formed by a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or groups of assets.

The recoverable amount is the higher of the individual asset or cash-generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of an individual asset or cash-generating unit is less than the carrying amount, an impairment loss is recognized.

(XV) Provisions

The recognition of a liability provision is a present obligation due to past events where it is probable that the Group will need to outflow economic resources to settle the obligation in the future and where the amount of the obligation can be estimated reliably.

1. Liability provision for after-sales service is based on historical experience, management's judgment and other known reasons to estimate possible product returns, discounts and replacements, and it is recognized as cost of goods sold in the year when the related products are sold.

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2. Decommissioning, restoration, and rehabilitation costs is to estimate the restoration cost of the leased plant that may occur in the future.

(XVI) Revenue recognition

Revenue is measured as the consideration to which the transfer of goods or services is expected to be entitled. The Group recognizes revenue when control of goods or services is transferred to the customer and performance obligations are satisfied. The transfer of control of a product means that the product has been delivered to the customer, the customer can decide the sales channel and price of a product in their entirety, and there are no outstanding obligations that will affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location, its obsolescence and risk of loss has been passed to the customer, and the customer has accepted the product in accordance with the sales contract; or when the acceptance clause has expired or when the Group has objective evidence that all acceptance conditions have been met.

(XVII) Government subsidies

When the Group receives government subsidies related to salaries and working capital subsidies, the unconditional grant is recognized as other income.

(XVIII) Employee benefits

1. Defined contribution plan

Contribution obligations to a defined contribution plan are recognized as expenses during the period during which an employee provides service.

2. Defined benefit plan

The Group's net obligation to the defined benefit plan is calculated by converting the future benefit amount earned by the employee's service in the current or previous period to the present value for each benefit plan and less the fair value of any plan assets.

Defined benefit obligations are actuated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the Group, recognized assets are limited to the present value of any economic benefits that would be available in the form of refunds of contributions from the program or reductions in future contributions to the program. Any minimum funding requirements are considered when calculating the present value of economic benefits.

Remeasurement of net defined benefit liability is immediately recognized in other comprehensive income and reflected in accumulated in retained earnings. This includes actuarial profit and loss, plan asset remuneration (excluding

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interest), and any change in the upper asset limit (excluding interest). The Group determines the net defined benefit liabilities (assets) and net interest expense (income), using the net defined benefit liabilities (assets) determined at the beginning of the annual reporting and the discount rate. Net interest expense and other expenses of defined benefit plans are recognized in profit or loss.

When a plan is revised or curtailed, the resulting change in benefits related to prior service costs or curtailment benefits or losses is immediately recognized in profit or loss. When settlement occurs, the Group recognizes the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the Group has a current statutory or constructive payment obligation due to the employee's past services and the obligation can be reliably estimated, this amount is recognized as a liability.

(XIX) Income taxes

Income taxes include current income tax and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss, except for those related to business combinations, items directly recognized in equity, or other comprehensive income.

Current income tax includes taxable income (losses) based on the current year, calculated estimated income tax payable or tax refund receivable, and any adjustments to tax payable or refunds receivable from prior years. The amount is the best estimate of the amount expected to be paid or received at the statutory tax rate or substantive legislative tax rate at the reporting date.

Deferred income tax is recognized as a measure of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Temporary differences arising from the following situations are not recognized as deferred income tax:

1. Assets or liabilities originally recognized in a transaction that is not a business combination and that do not affect accounting profits and taxable income (loss) at the time of the transaction;
2. Temporary differences arising from invested subsidiaries, affiliates, and joint ventures where the Group can control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future; as well as
3. Taxable temporary differences arising from the original recognition of goodwill.

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Deferred income tax is measured at the tax rate at which the temporary difference is expected to reverse, based on statutory or substantive legislative tax rates at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only when the following conditions are met simultaneously:

1. They have the legal enforcement right to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers that are subject to income tax by the same tax authority;
 - (1) The same taxpayer; or
 - (2) Although the taxpayers are distinct, each entity intends to settle current tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, in each future period in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

Unused tax losses and unused income tax credits are recognized as deferred tax assets to the extent that it is probable that future taxable income will be available to the extent that the deductible temporary differences are carried forward.

Furthermore, it is reassessed on each reporting date and reduced to the extent that the relevant income tax benefit is not probable to be realized; or reverses the previously reduced amount to the extent that it becomes probable that sufficient taxable income will be available.

(XX) Earnings per share

The Group presents basic and diluted earnings per share attributable to holders of ordinary shares of the Group. Basic earnings per share of the Group is the profit or loss attributable to the holders of ordinary shares of the Group calculated by dividing by the weighted average number of ordinary shares outstanding for the period. Diluted earnings per share refers to the profit and loss attributable to the holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding, calculated after separately adjusting for the effect of all potential dilutive ordinary shares. The Group's potentially dilutive ordinary shares include employee remuneration.

(XXI) Segment information

Operating segments form components of the Group and are engaged in operating activities that may earn income and incur expenses, including income and expenses related to transactions between other parts of the Group. The operating

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

results of all operating segments are regularly reviewed by the Groups key operating decision makers to make decisions on allocating resources to those segments and to measure their performances. Each operating segment maintains separate financial information.

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with FSC-endorsed IFRS standards requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to review estimates and underlying assumptions. Changes in accounting estimates are recognized in the period in which they are changed and in the future periods that are affected.

Determination of whether an investee company involves substantial control involves significant judgment and this information has a significant impact on the amounts recognized in this consolidated financial statements, shown as follows:

The Group is the single largest shareholder of Epoch Chemtronics Corp., holding 23.75% of the voting shares of Epoch Chemtronics Corp. Although the remaining 76.25% of Epoch Chemtronics Corp. shares are not centrally held by specific shareholders, the Group is still unable to obtain more than half of the directors' seats in Epoch Chemtronics Corp., and has not obtained more than half of the voting rights of shareholders attending the shareholders meeting. Therefore, it has been determined that the Group does not exercise control over Epoch Chemtronics Corp.

Among the uncertainties in the estimates and assumptions incorporated in these consolidated financial statements, there is no significant risk that a material adjustment will result in the following year.

VI. Explanation of significant accounts

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash	\$ 461	498
Demand deposits	499,896	356,800
Checking deposits	80	755
Fixed deposits	46,065	-
	\$ 546,502	358,053

Please refer to Note 6 (25) for the fair value sensitivity analysis and exchange

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rate risk of the financial assets and liabilities.

(II) Financial assets at fair value through profit or loss — current

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets designated as at fair value through profit or loss:		
Gold passbook accounts	<u>\$ 74,970</u>	<u>57,132</u>

Please refer to Note 6 (24) for the remeasurement of fair value.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Equity investments at fair value through other comprehensive income		
Current:		
Domestic TWSE listed company shares:		
Taiwan Cooperative Financial Holding Co., Ltd.	\$ 1,389,557	1,320,546
Mega Financial Holding Company Limited	707,724	808,763
First Financial Holding Co., Ltd.	745,533	675,752
Taiwan Business Bank	177,832	131,098
Taiwan Fertilizer Co., Ltd.	109,087	142,730
Cathay Financial Holdings Co., Ltd.	<u>66,887</u>	<u>80,125</u>
	<u>3,196,620</u>	<u>3,159,014</u>
Non current:		
Domestic TWSE listed company shares:		
Hold-Key Electric Wire & Cable Co., Ltd.	<u>137,763</u>	<u>112,624</u>
Unlisted domestic common shares:		
Sol Young Enterprises Co., Ltd.	12,610	12,610
ICP Technology Co., Ltd.	3,032	3,032
Willide Optoelectronics Co., Ltd.	<u>1,500</u>	<u>-</u>
	<u>17,142</u>	<u>15,642</u>
	<u>154,905</u>	<u>128,266</u>
Total	<u>\$ 3,351,525</u>	<u>3,287,280</u>

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

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The Group did not dispose of strategic investments in 2022 and 2021 and the accumulated gains and losses during these periods have not been transferred in equity.

For market risk information please refer to Note 6 (25).

(IV) Financial assets measured at amortized cost

	2022.12.31	2021.12.31
Current:		
Time deposits with original maturities of over three months	\$ 70,710	-
Interest rate range (%)	0.69~4.06	-
Non current:		
Time deposits with original maturities of over three months	\$ -	2,632
Interest rate range (%)	-	1.75

The Group assesses these assets as being held to maturity in order to receive their contractual cash flows, and the cash flows of these financial assets constitute in their entirety the payment of principal and interest on the outstanding principal amounts. They are therefore presented as financial assets measured at amortized cost.

For details of the above-mentioned financial asset pledge information, please refer to Note 8.

(V) Notes receivable and accounts receivable

	2022.12.31	2021.12.31
Notes receivable	\$ 113,919	139,266
Accounts receivable	97,023	159,832
Accounts receivable - related parties	24,242	15,476
Less: Loss allowance — notes receivable	(10,967)	(27,548)
Loss allowance - accounts receivable	(1,007)	-
	\$ 223,210	287,026

The Group executed an accounts receivable factoring contract with domestic financial institutions in 2022. Under the contract, the Group need not assume the risk of the transferred accounts receivable being unrecovered but only need bear the losses arising from business disputes. In addition, the Group does not participate in the transferred accounts receivable anymore in any way, and a credit risk coverage rate up to 90% has been provided by banks. As of December 31, 2022, the Group did not have any factored accounts receivable. In addition, The Group did not

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

execute any accounts receivable factoring contract with any domestic financial institution in 2021.

As of December 31, 2022, the cap on factored accounts receivable under the contract executed by the Group and the bank was 122,840 thousand.

The Group applies the simplified approach to provide for its expected credit losses, i.e., using the measurement of expected credit loss during the period. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. According to the historical experience of the Group's credit losses, there is no significant difference in the loss patterns of different customer groups. Therefore the provision matrix does not further differentiate customer groups.

According to historical experience, the Group's accounts receivable due from related parties have experienced no credit losses, and we also consider that as of the balance sheet date, the accounts receivable due from related parties have not been overdue and there is no other indication that the credit quality of accounts receivable due from related parties has changed from the original credit dates. Therefore, the Group's assessment of accounts receivable due from related parties is that they will not generate credit losses, and they are not included for calculation in the analysis table of expected credit losses.

Analysis of expected credit losses of the Group's notes receivable and accounts receivable (excluding related parties) is as follows:

	2022.12.31		
	Carrying values of notes receivable and accounts receivable	Weighted average loss rate (%)	Loss allowance provision
Current	\$ 202,018	0.00~1.63	3,300
1 to 30 days past due	228	4.39	10
31 to 60 days past due	36	47.22	17
61 to 90 days past due	30	56.67	17
More than 180 days past due	8,630	100.00	8,630
	<u>\$ 210,942</u>		<u>11,974</u>

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	2021.12.31		
	Carrying values of notes receivable and accounts receivable	Weighted average loss rate (%)	Loss allowance provision
Current	\$ 254,004	1.15	2,932
1 to 30 days past due	11,055	1.70	188
31 to 60 days past due	449	-	-
91 to 120 days past due	4,942	10.59	523
121 to 150 days past due	1	-	-
151 to 180 days past due	5,250	9.67	508
More than 180 days past due	23,397	100.00	23,397
	<u>\$ 299,098</u>		<u>27,548</u>

Changes in loss allowance for notes and trade receivables was as follows:

	2022	2021
Opening balance	\$ 27,548	8,774
Provision for impairment loss (reversal gain)	(15,574)	18,774
Ending balance	<u>\$ 11,974</u>	<u>27,548</u>

(VI) Other receivables and long-term receivables

	2022.12.31	2021.12.31
Other receivables	\$ 5,758	3,665
Long-term receivables	65,166	65,166
Less: Loss allowance	(65,166)	(65,166)
	<u>\$ 5,758</u>	<u>3,665</u>

The table of changes in loss allowance for other receivables and long-term receivables of the Group is as follows:

	2022	2021
Opening balance	\$ 65,166	79,145
Reversal of impairment losses	-	(13,979)
Ending balance	<u>\$ 65,166</u>	<u>65,166</u>

For other credit risk information please refer to Note 6 (25).

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(VII) Inventory

	2022.12.31	2021.12.31
Raw materials	\$ 151,577	180,040
Work in process	51,575	77,178
Finished products	19,380	52,517
Goods held in inventory	12,759	15,327
Inventory in transit	2,490	2,270
	<u>\$ 237,781</u>	<u>327,332</u>

In addition to transferring inventory to operating costs due to normal sales in 2022 and 2021, the Group's other total expenses and losses directly included in operating costs are listed as follows:

	2022	2021
Inventory valuation and obsolescence loss (gain from recovery)	\$ 23,994	16,346
Inventory obsolescence loss	3,697	2,743
Inclusion in operating costs	<u>\$ 27,691</u>	<u>19,089</u>

None of the Group's inventory was pledged as collateral as of December 31, 2022 and 2021.

(VIII) Non-current assets held for sale

On November 11, 2015, the Board of Directors of the Group passed a resolution to liquidate the touch panel manufacturing business unit Youwei Company located in mainland China. This disposal plan was passed in recognition of fierce touch panel industry competition. In order to enhance our competitiveness and reduce our operating costs, we planned to concentrate production in Young Fast Vietnam, another touch panel manufacturing business unit.

1. Operating results of discontinued operations after the Groups' write-off are as follows:

	2021
Operating income	\$ -
Costs and expenses	(3,321)
Non-operating income and expenses	<u>(376)</u>
Operating income before tax	(3,697)
Income tax expense	<u>-</u>
Operating income, net of tax	(3,697)
Disposal gain on discontinued operations	<u>65,633</u>
Profit (loss from discontinued operations	<u>\$ 61,936</u>

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2. Cash flows from discontinued operations are as follows:

	2021
Net cash outflow from operating activities	\$ (21,421)

The Group completed the liquidation process of Youwei Photoelectricity (Huizhou) Co., Ltd. on December 15, 2021. The recovered cash and disposal gains are as follows:

1. Details of the carrying amounts of the net assets of Youwei Photoelectricity (Huizhou) Co., Ltd. on the date of disposal are as follows:

	2021.12.15
Cash	\$ 17,375

2. Details of the amounts of disposal gains are as follows:

	2021.12.15
Reclassification from other equity to profit or loss from exchange differences on translation of foreign financial statements	\$ 65,633

(IX) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

	2022.12.31	2021.12.31
Affiliated companies	\$ 327,189	297,329

1. Affiliated companies

Affiliates which are material to the Group consisted of the following:

Affiliated companies	Within the Group	Main operating location / incorporation	Proportion of shareholding and voting rights	
Name	Nature of Relationship	Country	2022.12.31	2021.12.31
Epoch Chemtronics Corp. (Epoch)	Optical instrument manufacturing, etc.	Taiwan	23.75%	23.75%

Aggregated financial information of affiliated companies that are material to the Group are set forth below.

	2022.12.31	2021.12.31
Current assets	\$ 2,671,160	2,043,870
Non-current assets	906,762	863,316
Current liabilities	(2,203,917)	(1,691,409)
Non-current liabilities	(84,158)	(51,654)
Net assets	\$ 1,289,847	1,164,123

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	2022	2021
Operating income	<u>\$ 4,301,967</u>	<u>3,795,224</u>
Profit from continuing operations	221,374	108,222
Other comprehensive income	6,422	(2,408)
Total comprehensive income	<u>\$ 227,796</u>	<u>105,814</u>
Dividends received from affiliated companies	<u>\$ 24,241</u>	<u>24,241</u>

	2022	2021
Share of net assets attributable to the Group on January 1	\$ 276,482	275,591
Comprehensive income (loss) attributable to the Group	54,101	25,132
Dividends received from affiliated companies	<u>(24,241)</u>	<u>(24,241)</u>
Share of net assets attributable to the Group on June 30	306,342	276,482
Add: Goodwill	<u>20,847</u>	<u>20,847</u>
Book value of net assets attributable to the Group on June 30	<u>\$ 327,189</u>	<u>297,329</u>

The difference between the Group's equity and the carrying amount of the investment using the equity method mainly constitutes goodwill arising from the purchase of the investment at a premium when originally acquired.

2. Collateral

As of December 31, 2022 and 2021, none of the Group's investments using the equity method were pledged as collateral.

(XII) Disposal of subsidiaries

The Group's Board of Directors meeting dated November 13, 2019 resolved to liquidate the subsidiary Young Fast Hong Kong; the liquidation proceedings were completed on August 19, 2022, and a gain on disposal in the amount of 28,163 thousand was recognized under other gains and losses.

- Below are the details of the carrying amount of Young Fast Hong Kong's net assets on the disposal date :

	August 19, 2022
Cash	<u>\$ 759,364</u>

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

2. Below are the details of the gain on disposal of subsidiaries by the Group :

	August 19, 2022
Exchange differences on translation of the financial statement of foreign operations reclassified from other equity to profit or loss	<u>\$ 28,163</u>

(XI) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for 2022 and 2021 were as follows:

	Land	Housing and construction	Machinery and equipment	Leased assets	Other equipment	Total
Cost or deemed cost:						
Balance as at January 1, 2022	\$ 263,627	1,443,439	2,824,249	60,653	514,728	5,106,696
Addition	-	2,291	4,268	1,908	16,244	24,711
Reclassification (Note 1)	-	-	6,043	9,931	-	15,974
Disposal	-	-	(562,092)	(27,304)	(32,129)	(621,525)
Effect of movements in exchange rates	-	96,241	201,554	-	42,200	339,995
Balance as at December 31, 2022	<u>\$ 263,627</u>	<u>1,541,971</u>	<u>2,474,022</u>	<u>45,188</u>	<u>541,043</u>	<u>4,865,851</u>
Balance as at January 1, 2021	\$ 263,627	1,467,118	2,870,332	33,841	520,602	5,155,520
Addition	-	1,731	41,770	26,812	6,041	76,354
Disposal	-	-	(32,904)	-	(729)	(33,633)
Effect of movements in exchange rates	-	(25,410)	(54,949)	-	(11,186)	(91,545)
Balance as at December 31, 2021	<u>\$ 263,627</u>	<u>1,443,439</u>	<u>2,824,249</u>	<u>60,653</u>	<u>514,728</u>	<u>5,106,696</u>
Depreciation and impairment loss:						
Balance as at January 1, 2022	\$ -	966,433	2,743,721	33,679	494,847	4,238,680
Depreciation for the current period	-	39,564	20,869	10,061	9,425	79,919
Disposal	-	-	(561,536)	(27,008)	(31,975)	(620,519)
Effect of movements in exchange rates	-	56,878	198,258	-	41,797	296,933
Balance as at December 31, 2022	<u>\$ -</u>	<u>1,062,875</u>	<u>2,401,312</u>	<u>16,732</u>	<u>514,094</u>	<u>3,995,013</u>
Balance as at January 1, 2021	\$ -	942,974	2,816,933	32,292	498,815	4,291,014
Depreciation for the current period	-	37,713	13,831	1,387	7,868	60,799

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Disposal	-	-	(32,904)	-	(729)	(33,633)
Effect of movements in exchange rates	-	(14,254)	(54,139)	-	(11,107)	(79,500)
Balance as at December 31, 2021	<u>\$ -</u>	<u>966,433</u>	<u>2,743,721</u>	<u>33,679</u>	<u>494,847</u>	<u>4,238,680</u>
Carrying amounts:						
Balance as at December 31, 2022	<u>\$ 263,627</u>	<u>479,096</u>	<u>72,710</u>	<u>28,456</u>	<u>26,949</u>	<u>870,838</u>
Balance as at December 31, 2021	<u>\$ 263,627</u>	<u>477,006</u>	<u>80,528</u>	<u>26,974</u>	<u>19,881</u>	<u>868,016</u>

Note 1: Transferred from payments for prepaid equipment.

(XII) Right of use assets

The cost, depreciation, and impairment loss of the land and buildings of the Group were as follows:

	Land	Housing and construction	Total
Right of use asset costs:			
Balance as at January 1, 2022	\$ 68,753	88,687	155,440
Addition	-	1,988	1,988
Remeasurements due to change in lease term	-	7,324	7,324
Disposal (early termination of the contract)	-	(3,665)	(3,665)
Effect of movements in exchange rates	6,979	-	6,979
Balance as at December 31, 2022	<u>\$ 73,732</u>	<u>94,334</u>	<u>168,066</u>
Balance as at January 1, 2021	\$ 68,682	43,865	112,547
Addition	-	87,011	87,011
Disposal (early termination of the contract)	-	(42,189)	(42,189)
Effect of movements in exchange rates	(1,929)	-	(1,929)
Balance as at December 31, 2021	<u>\$ 66,753</u>	<u>88,687</u>	<u>155,440</u>
Right of use asset depreciation:			
Balance as at January 1, 2022	\$ 4,800	9,957	14,757
Depreciation for the current period	1,774	17,769	19,543
Disposal (early termination of the contract)	-	(1,606)	(1,606)
Effect of movements in exchange rates	579	-	579
Balance as at December 31, 2022	<u>\$ 7,153</u>	<u>26,120</u>	<u>33,273</u>
Balance as at January 1, 2021	\$ 3,148	20,395	23,543
Depreciation for the current period	1,761	15,255	17,016

**Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated
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Disposal (early termination of the contract)	-	(25,693)	(25,693)
Effect of movements in exchange rates	(109)	-	(109)
Balance as at December 31, 2021	<u>\$ 4,800</u>	<u>9,957</u>	<u>14,757</u>
Carrying amounts:			
Balance as at December 31, 2022	<u>\$ 66,579</u>	<u>68,214</u>	<u>134,793</u>
Balance as at December 31, 2021	<u>\$ 61,953</u>	<u>78,730</u>	<u>140,683</u>

(XIII) Investment real estate

Investment real estate constitutes the Group's own assets and right-of-use assets that recognize leasehold rights. Changes in the cost, depreciation, and impairment losses investment real estate of the Group are detailed as follows:

	Own assets		Right of use assets	
	Land	Land and buildings	Land	Total
Cost or deemed cost:				
Balance as at January 1, 2022	\$ 69,908	405,160	29,991	505,059
Addition	-	816	-	816
Disposal	-	(1,573)	-	(1,573)
Effect of movements in exchange rates	-	43,542	10,466	54,008
Balance as at December 31, 2022	<u>\$ 69,908</u>	<u>447,945</u>	<u>40,457</u>	<u>558,310</u>
Balance as at January 1, 2021	\$ 69,908	416,662	30,858	517,428
Effect of movements in exchange rates	-	(11,502)	(867)	(12,369)
Balance as at December 31, 2021	<u>\$ 69,908</u>	<u>405,160</u>	<u>29,991</u>	<u>505,059</u>
Depreciation and impairment loss:				
Balance as at January 1, 2022	\$ -	205,616	2,158	207,774
Depreciation for the current period	-	17,035	797	17,832
Disposal	-	(1,573)	-	(1,573)
Effect of movements in exchange rates	-	22,894	7,591	30,485
Balance as at December 31, 2022	<u>\$ -</u>	<u>243,972</u>	<u>10,546</u>	<u>254,518</u>
Balance as at January 1, 2021	\$ -	195,156	1,415	196,571
Depreciation for the current period	-	16,114	792	16,906
Effect of movements in exchange rates	-	(5,654)	(49)	(5,703)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Balance as at December 31, 2021	\$	-	205,616	2,158	207,774
Carrying amount:					
Balance as at December 31, 2022	\$	69,908	203,973	29,911	303,792
Balance as at December 31, 2021	\$	69,908	199,544	27,833	297,285
Fair value:					
Balance as at December 31, 2022				\$	322,093
Balance as at December 31, 2021				\$	369,830

The Group's investment property on Zhongxiao East Road of Taipei City was valued for its fair value by referencing the market evidence of the transaction price of similar real properties.

The fair value of the Group's investment property in Thach That – Quoc Oai Industrial Park, Hanoi, Vietnam was appraised by independent appraisers.

(XIV) Intangible assets

The cost, depreciation, and impairment loss of the Intangible assets of the Group in 2021 were as follows:

	<u>Computer software</u>
Cost:	
Balance as at December 31, 2022 (i.e., balance as at January 1, 2022)	<u>\$ 6,138</u>
Balance as at January 1, 2021	\$ -
Addition	<u>6,138</u>
Balance as at December 31, 2021	<u>\$ 6,138</u>
Amortization and impairment loss:	
Balance as at January 1, 2022	\$ 78
Amortization for the period	<u>888</u>
Balance as at December 31, 2022	<u>\$ 966</u>
Balance as at January 1, 2021	\$ -
Amortization for the period	<u>78</u>
Balance as at December 31, 2021	<u>\$ 78</u>
Carrying amounts:	
Balance as at December 31, 2022	<u>\$ 5,172</u>
Balance as at December 31, 2021	<u>\$ 6,060</u>

(XV) Short-term loans

Details, conditions, and terms of short-term loans of the Group are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Credit loans	<u>\$ -</u>	<u>132,641</u>

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Unused credit line	\$	1,382,169	1,131,902
Interest rate range (%)		-	0.71~0.88

(XVI) Lease liabilities

Book value of the Group's lease liabilities is as follows:

		2022.12.31	2021.12.31
Current:			
Lease liabilities	\$	113	94
Lease liabilities - Related parties		17,168	17,421
	\$	17,281	17,515
Non current:			
Lease liabilities	\$	19,029	17,254
Lease liabilities - Related parties		51,549	61,622
	\$	70,578	78,876

For maturity analysis of financial instruments, please refer to Note 6 (25).

Amounts recognized as profit or loss are as follows:

		2022	2021
Interest on lease liabilities	\$	2,765	2,305
Expenses relating to short term leases	\$	474	762
Expenses relating to leases of low value assets, excluding short term leases of low value assets	\$	827	764

Amounts recognized in the Statements of Cash Flows are as follows:

		2022	2021
Total amount of net cash flows from operating activities	\$	4,066	3,831
Total amount net cash flows from financing activities		17,387	17,602
Total cash flows from leases	\$	21,453	21,433

The Group leases land, houses, and buildings as factories, offices and leases. Land and building leases are typically for three to five years. When the lease period expires, the option to extend the same period as the original contract is available. In addition, the land lease period is 37 years.

The Group leases some offices and transportation equipment for a period of one year to three years. Such leases are leases of short term or low value subject matter, and the Company has elected not to recognize right of use assets and lease

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

liabilities for these leases.

As of December 31, 2022 and 2021. The Group's lease liabilities Increase by NTD 4,973 thousand due and decreased by NTD 16,535 thousand due to early termination and re-assessment of some lease contracts.

(XVII) Provisions

After-sales service provisions:

	2022	2021
Beginning balance as of January 1	\$ 96,388	56,624
Newly added provisions for the period	50,626	47,100
Provisions used in the period	-	(881)
Current reversal provision	(18,829)	(6,455)
Ending balance as of December 31	\$ 128,185	96,388

Carrying amount of after-sales service provisions is as follows:

	2022.12.31	2021.12.31
Current	\$ 34,249	16,104
Non current	93,936	80,284
	\$ 128,185	96,388

Decommissioning, restoration, and rehabilitation costs - non current:

	2022	2021
Beginning balance as of January 1	\$ 6,131	6,131
Provisions used in the period	(967)	-
Ending balance as of December 31	\$ 5,164	6,131

1. Liability provision for after-sales service is based on historical experience, management's judgment and other known reasons to estimate possible product returns, discounts and replacements, and it is recognized as cost of goods sold in the year when the related products are sold.
2. Decommissioning, restoration, and rehabilitation costs is to estimate the restoration cost of the leased plant that may occur in the future.

(XVIII) Employee benefits

1. Defined benefit plan

Reconciliation between the present value of the Company's defined benefit obligations and the fair value of plan assets is as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligations	\$ 16,493	18,331
Fair value of plan assets	(11,156)	(9,926)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Non-current net defined benefit liability	\$	<u>5,337</u>	<u>8,405</u>
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The Company's defined benefit plan is transferred to labor retirement reserve accounts of the Bank of Taiwan. Retirement payments for each employee are subject to the Labor Standards Act; they are calculated on the basis of years of service and the average salary for the six months prior to retirement.

(1) Composition of plan assets

In accordance with the Labor Standards Act, the pension fund provided for by the Company is under the overall management of the Bureau of Labor Funds under the Ministry of Labor. In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum income distributed in the annual final settlement for the use of the fund shall not be lower than the income calculated according to the two-year fixed deposit interest rate of local banks.

As of the reporting date, the balance of the Company's labor retirement reserve account at the Bank of Taiwan was NTD 11,156 thousand. Information on the use of assets of the labor pension fund includes fund yield and fund asset allocation; please refer to the information published on the website of the Bureau of Labor Funds.

(2) Changes in present value of defined benefit obligations

Changes in the present value of the Company's defined benefit obligations in 2022 and 2021 were as follows:

	2022	2021
Benefit obligations determined as at January 1	\$ 18,331	18,074
Current service cost and interest	114	90
Remeasurement of net defined benefit liabilities (assets)		
- Actuarial gains and losses due to experience adjustments	(1,269)	(10)
- Actuarial gains and losses arising from changes in demographic assumptions	-	369
- Actuarial gains and losses arising from changes in financial assumptions	(683)	(192)
Benefit obligations determined as at December 31	<u>\$ 16,493</u>	<u>18,331</u>

(3) Changes in fair value of plan assets

Changes in the fair value of the Company's defined benefit plan assets in 2022 and 2021 were as follows:

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

	2022	2021
Fair value of identifiable plan net assets as at January 1	\$ 9,926	9,334
Interest income	63	48
Remeasurement of net defined benefit liabilities (assets) — plan asset return (excluding current interest)	762	117
Amount allocated to the plan	405	427
Fair value of identifiable plan net assets as at December 31	<u>\$ 11,156</u>	<u>9,926</u>

(4) Expenses recognized in profit or loss

Details of expenses reported by the Company in 2022 and 2021 are as follows:

	2022	2021
Current service cost	\$ -	-
Net interest on net defined benefit liabilities	51	42
	<u>\$ 51</u>	<u>42</u>

(5) Net defined benefit assets recognized in remeasurement of other comprehensive income (liabilities)

The Company's cumulative net defined benefit assets recognized in remeasurement of other comprehensive income (liabilities) are as follows:

	2022	2021
Cumulative balance as at January 1	\$ 226	276
Recognized this period	2,714	(50)
Cumulative balance as at December 31	<u>\$ 2,940</u>	<u>226</u>

(6) Actuarial assumptions

Significant actuarial assumptions used by the Company for the present value of the defined benefit obligations at the reporting date are as follows:

	2022.12.31	2021.12.31
Discount rate	1.375%	0.625%
Future salary increases	2.250%	2.000%

The Company expects a provision amount paid to defined benefit plan of \$394 thousand within one year after the 2022 annual report date.

The weighted average duration of the defined benefit plan is 7.9 years.

(7) Sensitivity analysis

The impact of changes in key actuarial assumptions when applied at 31 December 2022 and 2021 on the present value of the defined benefit

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

obligations is as follows:

	Impact on defined benefit obligations	
	Increase 0.25 %	Decrease 0.25 %
December 31, 2022		
Discount rate (change of 0.25%)	(319)	331
Future salary adjustments (change of 0.25%)	323	(313)
December 31, 2021		
Discount rate (change of 0.25%)	(381)	397
Future salary adjustments (change of 0.25%)	385	(372)

The above sensitivity analysis is based on the analysis of the impact of a change in a single assumption while other assumptions remain unchanged. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net defined benefit liability on the balance sheet.

The methods and assumptions used in the preparation of the sensitivity analysis in this period are the same as those in the previous period.

2. Defined contribution plan

Among the Group, in the Company and in its subsidiary Taiwan SRU Corp. established in the Republic of China, transfers are made to individual labor pension accounts established by the Bureau of Labor Insurance in line with the contribution rate of 6% of monthly employee salaries and in accordance with the provisions of the Labor Pension Act. Under this setup, after the Company and Taiwan SRU Corp. have provided a fixed amount to the Bureau of Labor Insurance, there is no statutory or constructive obligation to pay an additional amount.

The Groups' subsidiaries located in China and Vietnam are determined as providing for retirement, and these pension are based on employee salaries. A certain percentage of the related allocations are deposited into a special account of the retirement fund, which is managed by the local statutory insurance agency. When an employee retires, he or she can receive the employee's self-provided funds and the Company's relative contribution funds and its yield from the special fund account.

Pension expenses under the Group's 2022 and 2021 defined pension appropriation measures are NTD 5,198 thousand and NTD 5,545 thousand

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

respectively, which have been allocated to the Bureau of Labor Insurance.

(XIX) Income taxes

1. The Group's 2022 and 2021 income tax expenses (gains) are detailed as follows:

	2022	2021
Current income tax expense		
Current period	\$ 26,334	19,603
Adjustment for prior periods	<u>(1,822)</u>	<u>1,658</u>
	<u>24,512</u>	<u>21,261</u>
Deferred tax expense (gain)		
Occurrence and reversal of temporary differences	<u>(8,446)</u>	<u>8,712</u>
Income tax expense	<u>\$ 16,066</u>	<u>29,973</u>

Income tax gain (expense) recognized by the Group under other comprehensive income in 2022 and 2021 are detailed as follows:

	2022	2021
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan	<u>\$ (543)</u>	<u>10</u>

The Group's 2022 and 2021 income tax expenses and reconciliation with net profit before tax are detailed as follows:

	2022	2021
Net profit before tax	<u>\$ 449,936</u>	<u>264,502</u>
Income tax calculated at the domestic tax rate of the Company's location	\$ 89,987	52,900
Impact of tax rate differences in foreign jurisdictions	5,098	-
Tax-exempt dividend income	(25,633)	(23,116)
Valuation gain of financial assets	(1,424)	756
Investment income accounted for using the equity method	(10,537)	(10,844)
Liquidation losses	-	(9,651)
Non-deductible expenses	2,598	3,725
Subsidiary capital reduction to make up for losses	(55,721)	-
Recognition of tax losses not recognized in the previous period	-	(22,810)
Tax difference in depreciation expenses	(374)	(3,196)
Changes in deferred tax assets	-	17,201

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Previous underestimation	1,822	1,658
Undistributed surplus earnings	7,337	7,220
Disposal gain on discontinued operations	-	13,127
Other	6,557	3,003
Total	<u><u>\$ 16,066</u></u>	<u><u>29,973</u></u>

2. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Group are as follows:

	2022.12.31	2021.12.31
Temporary differences that can be deducted	\$ 2,624,107	2,902,710
Tax loss	1,596,547	1,596,634
	<u><u>\$ 4,220,654</u></u>	<u><u>4,499,344</u></u>

Taxable losses are subject to the provisions of the Income Tax Act. As approved by the tax collection authority, losses for the previous ten years may be deducted from the net profit of the current year to re-assess income tax. These items are not recognized as deferred tax assets. This is because it is not probable that the Group will have sufficient taxable income for the temporary difference in the future.

As of December 31, 2022, the Group has not yet recognized tax losses as deferred tax assets. The deduction period is as follows:

Year of Loss	Loss not yet deducted	The last year for which the deduction can be made
2013 approved number	\$ 36,458	2023
2014 approved number	274,845	2024
2015 approved number	370,175	2025
2016 approved number	98,904	2026
2017 approved number	808,806	2027
2018 declared number	7,359	2028
Total	<u><u>\$ 1,596,547</u></u>	

(2) Deferred tax assets and liabilities recognized

Changes in deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

Inventory allowance	Expected credit	Exchange losses	Other	Total
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Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

	for impairmen t losses	loss			
January 1, 2022	\$ 6,841	4,749	-	21,391	32,981
Credit (debit) profit and loss	3,816	(2,955)	24	6,490	7,375
Credit to other comprehensive income	-	-	-	(543)	(543)
December 31, 2022	\$ 10,657	1,794	24	27,338	39,813
January 1, 2021	\$ 5,017	17,023	292	17,375	39,707
Credit (debit) profit and loss	1,824	(12,274)	(292)	4,006	(6,736)
Credit to other comprehensive income	-	-	-	10	10
December 31, 2021	\$ 6,841	4,749	-	21,391	32,981

Deferred tax liabilities:

	Foreign exchange gains
January 1, 2022	\$ 2,003
Debit (credit) profit and loss	(1,071)
December 31, 2022	\$ 932

	Foreign exchange gains	Other	Total
January 1, 2021	\$ -	27	27
Debit (credit) profit and loss	2,003	(27)	1,976
December 31, 2021	\$ 2,003	-	2,003

3. Income tax approval status

The Company's tax returns for the years through 2020 were examined and approved by the tax authority.

(XX) Capital and other equity

1. Issuance of ordinary shares

As at December 31, 2022 and 2021, the Company's total authorized capital stock is NTD 2,000,000 thousand and the par value of each share is NTD 10.

Total issued shares amount to 151,328 thousand shares.

2. Capital reserve

The balance of the Company's capital reserve is as follows:

	2022.12.31	2022.12.31
Additional paid-in capital - may be used to compensate for losses, distributed in cash, or recapitalized.	\$ 1,934,757	2,010,421
Additional paid-in capital may be used - only to compensate for prior losses.	50,804	50,804

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Changes in the net equity value of affiliated companies recognized under the equity method	13,634	13,634
Employee stock options	2,321	2,321
	<u>\$ 2,001,516</u>	<u>2,077,180</u>

In accordance with provisions of the Company Act, after capital reserve is given priority to cover losses, it may be issued to new shares or cash in proportion to the shareholders' original shares in the form of realized capital gains. Realized capital gains as mentioned in the preceding paragraph includes excess from the issuance of shares in excess of par value as well as grants received. In accordance with provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital reserves that can be used as capital shall not exceed 10% of the paid-in capital.

3. Retained earnings

According to the provisions of the earnings distribution policy of the Articles of Incorporation of the Company, if there is a surplus in the annual final accounts, taxes should first be paid to offset any prior deficit, and 10% is to be subsequently set aside as legal reserve. In addition, in accordance with the provisions of Article 41, Paragraph 1 of the Securities and Exchange Act, for the deduction amount of shareholders' equity incurred in the current year, the same amount of special reserve shall be set aside from the after-tax surplus earnings of the current year and the undistributed surplus earnings of the previous period. For the deduction amount of other shareholders' equity accumulated in the previous period, the special reserve of the same amount shall not be distributed from the undistributed surplus earnings in the previous period. In the event of a subsequent reversal of the amount of the deduction of shareholders' equity, earnings may be distributed to the reversed portion.

In addition, and in accordance with the Articles of incorporation of the Company, the dividend policy of the Company is based on current and future development plans while considering the investment environment, capital needs, and the domestic and foreign competitive environment, and takes into account the interests of shareholders and other factors. Each year, no less than 20% of the distributable surplus shall be allocated for distribution to shareholders as dividends and bonuses; but when the accumulated distributable surplus is less than 100% of paid-in capital, it may not be distributed.

(1) Legal reserve

When the Company has no losses, then subject to a resolution of the

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

shareholders' meeting there may be issuance of new shares or cash with the legal reserve. However, this is limited to the portion of the reserve exceeding 25% of the paid-in capital.

(2) Earnings distribution

At its respective General Meetings of Shareholders on June 29, 2022 and August 3, 2021, the Company passed corresponding resolutions for 2021 and 2020, announcing cash dividends from capital reserve and earnings distribution with the amounts of cash dividends being as follows:

	2021	2020
Dividends distributed to owners of ordinary shares:		
Cash - retained earnings	\$ 105,929	-
Cash - capital reserve	75,664	151,328
	\$ 181,593	151,328
Distribution rate in NT dollars (NTD)	\$ 1.2	1.00

Information on the distribution of earnings as resolved by the Company's shareholders' meeting can be inquired through the Market Observation Post System.

4. Other equity (net of tax)

	Foreign currency translation differences for foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as at January 1, 2022	\$ (89,969)	1,152,720	1,062,751
Exchange differences on translation of foreign financial statements	102,110	-	102,110
Share of other comprehensive income of subsidiaries, affiliates, and joint ventures recognized using the equity method	1,386	-	1,386
Unrealized valuation gains and losses on financial assets at fair value through other comprehensive income	-	21,486	21,486
Balance as at December 31, 2022	\$ 13,527	1,174,206	1,187,733
Balance as at January 1, 2021	\$ 21,361	577,871	599,232
Exchange differences on translation of foreign financial	(110,763)	-	(110,763)

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

statements			
Share of other comprehensive income of subsidiaries, affiliates, and joint ventures recognized using the equity method	(567)	-	(567)
Unrealized valuation gains and losses on financial assets at fair value through other comprehensive income	-	574,849	574,849
Balance as at December 31, 2021	<u>\$ (89,969)</u>	<u>1,152,720</u>	<u>1,062,751</u>

(XXI) Earnings per share

	Unit: Thousand shares	
	2022	2021
Basic EPS:		
Net profit attributable to the Company for the period - continuing operations	\$ 416,051	217,494
Net profit (loss) attributable to the Company for the period - discontinued operations	-	61,936
Net profit attributable to holders of ordinary shares of the Company	<u>\$ 416,051</u>	<u>279,430</u>
Weighted average number of ordinary shares outstanding	<u>151,328</u>	<u>151,328</u>
Basic EPS - Continuing Operations (Unit: New Taiwan Dollars)	<u>\$ 2.75</u>	<u>1.44</u>
Basic EPS - Discontinued Operations (Unit: New Taiwan Dollars)	<u>\$ -</u>	<u>0.41</u>
Diluted EPS:		
Net profit attributable to the Company for the period - continuing operations	\$ 416,051	217,494
Net profit (loss) attributable to the Company for the period - discontinued operations	-	61,936
Net profit attributable to holders of ordinary shares of the Company	<u>\$ 416,051</u>	<u>279,430</u>
Weighted average number of ordinary shares outstanding	151,328	151,328
Effect of dilutive potential ordinary shares		
Employees' compensation	390	332
Weighted average number of ordinary	<u>151,718</u>	<u>151,660</u>

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

shares outstanding (diluted)		
Diluted EPS - Continuing Operations (Unit: New Taiwan Dollars)	<u>\$</u>	<u>2.74</u> <u>1.43</u>
Diluted EPS - Discontinued Operations (Unit: New Taiwan Dollars)	<u>\$</u>	<u>-</u> <u>0.41</u>

(XXII) Revenue from contracts with customers

1. Details of revenue

	2022		
	Optoelectronics Division	Electromechanical Division	Total
Principal regional markets:			
Asia	\$ 117,055	1,428	118,483
Americas	27,406	-	27,406
Taiwan	<u>734,012</u>	<u>665,745</u>	<u>1,399,757</u>
	<u>\$ 878,473</u>	<u>667,173</u>	<u>1,545,646</u>
	2021		
	Optoelectronics Division	Electromechanical Division	Total
Principal regional markets:			
Asia	\$ 156,664	1,061	157,725
Americas	14,686	-	14,686
Taiwan	<u>713,863</u>	<u>563,017</u>	<u>1,276,880</u>
	<u>\$ 885,213</u>	<u>564,078</u>	<u>1,449,291</u>

2. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Notes receivable	\$ 113,919	139,266	131,181
Accounts receivable	97,023	159,832	82,781
Accounts receivable - related parties	24,242	15,476	321
Less: Loss allowance—notes receivable	(10,967)	(27,548)	(8,609)
Less: Loss allowance - accounts receivable	<u>(1,007)</u>	<u>-</u>	<u>(165)</u>
Total	<u>\$ 223,210</u>	<u>287,026</u>	<u>205,509</u>
Contract Liabilities - Merchandise Sales	<u>\$ 5,579</u>	<u>6,028</u>	<u>14,983</u>

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Please refer to Note 6 (5) for disclosure of notes and accounts receivable and their impairment.

The opening balances of contract liabilities on January 1, 2022 and 2021 were recognized as revenue in 2022 and 2021, amounting to NTD 2,335 thousand and NTD 14,303 thousand respectively.

(XXIII) Remuneration of employees and directors

According to the Articles of Incorporation of the Company, if there is profit for the year then not less than 2% shall be set aside for employees' remuneration and not more than 1.5% shall be set aside as remuneration for directors. However, when the Company still has accumulated losses, it should reserve the compensatory amount in advance. Stock or cash may be distributed to persons to whom employee remuneration is to be distributed as in the preceding paragraph, including employees of controlling or subordinate companies meeting certain conditions.

The Company's estimated amounts of employee remuneration for 2022 and 2021 were NTD 8,636 thousand and NTD 6,353 thousand respectively. The corresponding estimated amounts for directors' remuneration were NTD 6,463 thousand and NTD 4,765 thousand. The estimated amounts mentioned above are calculated based on net profit before tax of the Company, excluding remuneration to employees and directors, and multiplied by the percentage of remuneration to employees and directors as stipulated in the Company's Articles of Incorporation. These remunerations were reported under operating expenses. The differences between the actual distributed amounts, as determined by the Board of Directors, and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year. Relevant information can be inquired through the Market Observation Post System. If the Board of Directors decides to pay employee compensation in stock, the numbers of shares to be distributed were calculated based on the closing price of the Company's shares one day before the date of the decision of the Board of Directors.

The estimated compensation to directors and employees recognized in the 2021 consolidated financial statements differed from the distribution amount approved by the Board of Directors meeting dated May 11, 2022 by (142) thousand, primarily due to variation in accounting estimates. Such differences were accounted for as changes in accounting estimates, and recognized in profit or loss of 2022. For details, see the Market Observation Post System (MOPS).

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

(XXIV) Non-operating revenue and expenses

1. Interest income

Details of the interest income of the Group are as follows:

	2022	2021
Bank deposit interest	\$ 3,600	293

2. Other income

The details of other revenue of the Group were as follows:

	2022	2021
Lease income	\$ 67,364	62,855
Dividend income	128,166	115,581
Other income	8,966	7,098
	\$ 204,496	185,534

3. Other gains and losses

The details of other gains and losses were as follows:

	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 16,264	120
Gain on disposal of investments	28,163	-
Investment real estate depreciation expense	(17,832)	(16,906)
Net foreign currency exchange gains (loss)	(20,420)	23,653
Gain (loss) on financial assets at fair value through profit or loss	7,120	(3,780)
Loss on payment of output tax past due	(21,141)	-
Other	(17)	(955)
	\$ (7,863)	2,132

4. Finance costs

The Group's finance costs were as follows:

	2022	2021
Bank loans	\$ 722	932
Lease liabilities	2,765	2,305
Other	8	13
	\$ 3,495	3,250

(XXV) Financial instruments

1. Credit risk

(1) Credit risk exposure

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

Among the balances of accounts receivable and notes receivable of the Group as at December 31, 2022 and 2021, three major customers accounted for 51% and 63% respectively.

(3) Credit risk on receivables and financial assets at amortized cost

For credit risk exposure of notes receivable and accounts receivable, please refer to Note 6 (5). For credit risk exposure of other receivables and long-term receivables, please refer to Note 6 (6). Other receivables, long-term receivables and other financial assets measured at amortized cost are financial assets with low credit risk. The loss allowance for that period is therefore measured at the twelve-month expected credit loss amount.

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of fluctuations in cash flow. The Group's management supervises the use of bank financing lines and ensures compliance with terms of the loan contracts.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2022						
Non derivative financial liabilities						
Notes payable	\$ 546	546	546	-	-	-
Accounts payable (including related parties)	101,987	101,987	101,987	-	-	-
Other payables	184,978	184,978	184,978	-	-	-
Lease liabilities (including related parties)	87,859	127,545	19,825	19,825	39,767	48,128
Deposits received	21,139	21,139	35	953	17,580	2,571
Other non-current liabilities	<u>61,312</u>	<u>61,312</u>	-	-	-	<u>61,312</u>
	<u>\$ 457,821</u>	<u>497,507</u>	<u>307,371</u>	<u>20,778</u>	<u>57,347</u>	<u>112,011</u>
December 31, 2021						
Non derivative financial liabilities						
Short-term loans	\$ 132,641	133,003	133,003	-	-	-
Notes payable	675	675	675	-	-	-
Accounts payable (including related parties)	156,774	156,774	156,774	-	-	-
Other payables	175,032	175,032	175,032	-	-	-
Lease liabilities (including related parties)	96,391	135,384	20,088	37,764	32,605	44,927
Deposits received	17,242	17,242	-	17,242	-	-
Other non-current liabilities	<u>55,262</u>	<u>55,262</u>	-	-	-	<u>55,262</u>
	<u>\$ 634,017</u>	<u>673,372</u>	<u>485,572</u>	<u>55,006</u>	<u>32,605</u>	<u>100,189</u>

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

3. Exchange rate risk

(1) Exposure to exchange rate risk

The Group's financial assets and liabilities exposed to significant foreign currency exchange rate risk were as follows:

	2022.12.31			2021.12.31		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
<u>Financial assets</u>						
<u>Monetary items</u>						
US Dollar	\$ 12,248	30.7100	376,144	73,643	27.6800	2,038,443
RMB	290	4.4080	1,279	5	4.3440	22
Vietnamese Dong	7,417,274	0.0013	9,568	8,373,696	0.0012	10,048
Japanese Yen	188,994	0.2324	43,922	11,418	0.2405	2,746
<u>Financial liabilities</u>						
<u>Monetary items</u>						
US Dollar	6,920	30.7100	212,503	66,275	27.6800	1,834,488
Vietnamese Dong	16,621,614	0.0013	21,442	20,518,468	0.0012	24,622
Japanese Yen	79,757	0.2324	18,536	39,494	0.2405	9,498

(2) Sensitivity analysis

The Group's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), accounts payable (including related parties), and other payables that are denominated in foreign currency. As at December 31, 2022 and 2021, if the TWD, when compared with the USD, CNY, VND, and JPY had appreciated or depreciated 5% with all other factors remaining constant, then net profit before tax for 2022 and 2021 would have respectively increased or decreased by approximately NTD8,922 thousand and NTD9,133 thousand. The analysis is performed on the same basis for both periods.

(3) Exchange gains and losses on monetary items

Due to the wide variety of foreign currency transactions of the Group, gains or losses on foreign exchange are summarized as a single amount. Foreign currency exchange gains and (losses) (including both realized and unrealized) in 2022 and 2021 were NTD (20,420) thousand and NTD 23,653 thousand, respectively.

4. Interest rate risk

The following sensitivity analysis is based on the exposure to interest rate risk of non-derivative financial instruments on the reporting date. For floating rate financial instruments, the sensitivity analysis assumes that the amounts of assets

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change used in reporting interest rates internally to key management of the Group constituted a 1% increase or decrease in interest rates; this also represented the range of changes in interest rates considered by management to be reasonably possible.

If interest rates had increased or decreased by 1% and all assuming all other variable factors remained constant, pre-tax net profit in 2022 and 2021 would have decreased or increased by approximately NTD 0 thousand and NTD 1,300 thousand respectively, mainly due to the Group's variable interest rate borrowings.

5. Other market price risk

Sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Price of securities at reporting date</u>	<u>2022</u>	<u>2021</u>
Up 5%	<u>\$ 167,576</u>	<u>164,364</u>
Down 5%	<u>\$ (167,576)</u>	<u>(164,364)</u>

6. Fair value information

(1) Hierarchy and fair value of financial instruments

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amount and fair value of each category of financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	<u>2022.12.31</u>				
	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 74,970	74,970	-	-	74,970
Financial assets at fair value through other comprehensive income					

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Domestic TWSE (TPEX) listed shares	3,334,383	3,334,383	-	-	3,334,383
Equity instruments without an active market measured at fair value	17,142	-	-	17,142	17,142
Subtotal	3,351,525	3,334,383	-	17,142	3,351,525
Financial assets measured at amortized cost					
Cash and cash equivalents	546,502	-	-	-	-
Current financial assets at amortised cost	70,710	-	-	-	-
Notes receivable and accounts receivable (including related parties)	223,210	-	-	-	-
Other receivables	5,758	-	-	-	-
Refundable deposits	5,735	-	-	-	-
Other non-current assets	61,312	-	-	-	-
Subtotal	913,227	-	-	-	-
Total	\$ 4,339,722	3,409,353	-	17,142	3,426,495
Financial liabilities measured at amortized cost					
Notes payable and accounts payable (including related parties)	\$ 102,533	-	-	-	-
Other payables	184,978	-	-	-	-
Lease liabilities (including related parties)	87,859	-	-	-	-
Deposits received	21,139	-	-	-	-
Other non-current liabilities	61,312	-	-	-	-
Total	\$ 457,821	-	-	-	-

	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 57,132	57,132	-	-	57,132
Financial assets at fair value through other comprehensive income					
Domestic TWSE (TPEX) listed shares	3,271,638	3,271,638	-	-	3,271,638
Equity instruments without an active market measured at fair value	15,642	-	-	15,642	15,642
Subtotal	3,287,280	3,271,638	-	15,642	3,287,280
Financial assets measured at					

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amortized cost					
Cash and cash equivalents	358,053	-	-	-	-
Current financial assets at amortised cost	2,632	-	-	-	-
Notes receivable and accounts receivable (including related parties)	287,026	-	-	-	-
Other receivables	3,665	-	-	-	-
Refundable deposits	6,743	-	-	-	-
Other non-current assets	55,262	-	-	-	-
Subtotal	713,381	-	-	-	-
Total	\$ 4,057,793	3,328,770	-	15,642	3,344,412
Financial liabilities measured at amortized cost					
Bank loans	\$ 132,641	-	-	-	-
Notes payable and accounts payable (including related parties)	157,449	-	-	-	-
Other payables	175,032	-	-	-	-
Lease liabilities (including related parties)	96,391	-	-	-	-
Deposits received	17,242	-	-	-	-
Other non-current liabilities	55,262	-	-	-	-
Total	\$ 634,017	-	-	-	-

(2) Valuation techniques for financial instruments measured at fair value—non-derivative financial instruments

If there is a quoted market price in an active market for a financial instrument, the fair value is based on the quoted market price in an active market. The market price announced by the major exchanges for all listed (over-the-counter) equity instruments taken as the basis for fair value.

Among financial instruments held by the Group, the stocks of listed (over-the-counter listed) companies and gold passbook accounts are financial assets with standard terms and conditions and are traded in the active market, and their fair values are determined by reference to market quotations.

Except for the above-mentioned financial instruments for which there is an active market, the fair values of other financial instruments are based on valuation techniques. Fair value obtained through valuation techniques may refer to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow methods, or other valuation techniques including those calculated using models based on market information available at the consolidated balance sheet date.

Financial instruments held by the Group constitute equity instruments

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without an active market that are not publicly quoted and are measured at fair value. Fair value is estimated using the market comparables approach as well as net asset value. The main assumptions of the market comparables approach are based on the after-tax net profit or equity net worth of the investee and the earnings or book value multipliers derived from market quotations of comparable listed companies. This estimate has been adjusted for the discounting effect of the lack of market liquidity of the equity securities. Because the amount of equity investment estimated by the Group using the market comparable company method and net asset value to estimate the fair value is not significant, there is no intention to disclose quantitative information.

(XXVI) Financial risk management

The Group's financial management department provides services for each business units including overall coordination of access to domestic and international financial market operations, supervision and management of financial risks related to the Group's operations through internal risk reports that analyze exposure in accordance with risk procedures and breadth. Such risks include market risk (including exchange rate risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

The Group avoids exposure to risk through derivative financial instruments to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the Board of Directors of the Company, which are written principles of exchange rate risk, interest rate risk, credit risk, and the use of derivative financial instruments. Internal auditors continually review policy compliance and exposure limits. The Group does not trade in financial instruments for speculative purposes (including derivative financial instruments).

1. Credit risk

Credit risk refers to the risk of financial losses by the Group caused by a counterparty defaulting on its contractual obligations. As of the balance sheet date, the Group's largest credit risk exposure for financial losses arising from a counterparty's failure to perform its obligations is mainly from the book values of financial assets recognized in the balance sheet.

The policy adopted by the Group is to only deal with reputable parties, and, if necessary, obtain sufficient guarantee to reduce the risk of financial loss due to default. The Group continuously monitors the credit risk insurance and the credit ratings of counterparties and distributes the total transaction amounts to customers with qualified credit ratings. The credit risk is controlled through the

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counterparty's credit limit, which is reviewed and approved by the Group's most competent personnel every year.

The Group continuously evaluates the financial status of accounts receivable customers. The Group has no significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. When the counterparty to a transaction is an affiliated company, the Group defines it as a counterparty with similar characteristics. The Group has no significant concentration of credit risk.

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of fluctuations in cash flows. The Group's management supervises the use of bank financing lines and ensures compliance with terms of the loan contracts.

The Group's working capital is sufficient to cover its needs; therefore, there is no liquidity risk due to an inability to raise funds to fulfill contractual obligations.

Bank borrowings are an important source of liquidity for the Group. As at December 31, 2022 and 2021, the Group's unutilized short-term bank facilities amounted to NTD 1,382,169 thousand and NTD 1,131,902 thousand respectively.

3. Market risk

Market risk refers to changes in market prices such as changes in exchange rates, interest rates, and equity instrument prices, and the risk that this affects the Group's income or the value of financial instruments held. The objective of market risk management is to control the exposure of market risks within an acceptable range and optimize the return on investment.

(1) Currency risk

The Group is exposed to exchange rate risks arising from sales, purchases, fixed deposits and borrowing transactions that are not denominated in the functional currency of the Group. The functional currency of the Group companies is mainly New Taiwan Dollars. The main denomination currencies for these transactions are New Taiwan Dollars, US Dollars, and Renminbi.

There is no significant difference or significant change in the receivables and payables of the Group. Therefore, the Group currently adopts natural hedging as the main exchange rate avoidance policy in terms of exchange rate risk.

(2) Interest rate risk

The Group's financial assets with fair value risk from changes in interest

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rates are bank deposits; financial liabilities are short-term borrowings, but the impact on the fair value of the relevant financial assets due to changes in interest rates is not material.

(3) Other market price risk

The Group's holdings of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are invested in domestic gold passbook accounts as well as domestic TWSE and TPEX listed company stocks. Because they are measured at fair value, the Group will be exposed to the risk of changes in the market prices of equity securities. We thus prudently select investment targets and control the positions held for the sake of managing market risk.

(XXVII) Capital management

The Group's capital risk management policy is based on the existing and possible future assets, liabilities and capital structure, taking moderate risks, and earning reasonable profits for shareholders. The goal is to achieve an ideal balance between risk control and business development and to optimize shareholder value.

In addition to appropriating legal reserve and special reserve according to law, the Group retains surplus funds and capital increase premium funds for plant expansion and operating turnover. The debt ratio is controlled below 30%, and we maintain adequate asset liquidity.

(XXVIII) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities not affecting current cash flow in 2022 and 2021 were as follows:

1. For acquisition of the right-of-use asset by lease, please refer to Note 6 (12).
2. Reconciliation of liabilities from financing activities is as follows:

	2022.1.1	Cash flows	Addition	Non cash changes		2022.12.31
				Disposal and Remeasurement Contracts in the Current Period	Exchange rate changes	
Short-term loans	\$ 132,641	(139,651)	-	-	7,010	-
Lease liabilities	96,391	(17,387)	1,988	4,973	1,894	87,859
Total liabilities from financing activities	<u>\$ 229,032</u>	<u>(157,038)</u>	<u>1,988</u>	<u>4,973</u>	<u>8,904</u>	<u>87,859</u>

	2021.1.1	Cash flows	Addition	Non cash changes		2021.12.31
				Disposal and Remeasurement Contracts	Exchange rate changes	

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	in the Current Period					
Short-term loans	\$ 24,970	108,231	-	-	(560)	132,641
Lease liabilities	41,714	(17,602)	87,011	(16,535)	1,803	96,391
Total liabilities from financing activities	<u>\$ 66,684</u>	<u>90,629</u>	<u>87,011</u>	<u>(16,535)</u>	<u>1,243</u>	<u>229,032</u>

VII. Related party transactions

(I) Names and relationship with related parties

Parties involved in transactions with the Group during the period covered by this consolidated financial report are as follows:

Name of related party	Relationship with the Group
Luminous Optical Technology Co., Ltd. (Luminous Optical Technology)	Other related parties (de facto related parties)
Luminous Optical Technology (Vietnam) Co., Ltd. (Luminous Optical Technology Vietnam)	Other related parties (de facto related parties)
Epoch Chemtronics Corp (Epoch)	Associate of the Company
Hold-Key Electric Wire & Cable Co., Ltd. (Hold-Key)	Other related parties (major shareholders of the Company)

(II) Significant transactions with related parties

1. Operating revenue

The Group's significant sales amounts with related parties are as follows:

Related party	2022	2021
Hold-Key	\$ 141,164	90,014
Other related parties	220	-
Total	<u>\$ 141,384</u>	<u>90,014</u>

2. Purchase and processing costs

Amounts of purchase and processing costs between the Group and related parties are as follows:

Related party	2022	2021
Other related parties	<u>\$ 17,420</u>	<u>26,075</u>

The Group's purchase, sales and processing costs for the above-mentioned related parties are in the form of cooperative export or division of production and sales. Therefore, the purchase, sales prices, receipt and payment terms, and processing costs between the Group and the related parties are mutually negotiated.

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3. Receivables from related parties

Details of the Group's receivables from related parties are as follows:

Accounts	Related Party Category/Name	2022.12.31	2021.12.31
Accounts receivable	Hold-Key	\$ 24,026	15,476
	Other related parties	216	-
Total		\$ 24,242	15,476

As of December 31, 2022 and 2021, none of the above accounts receivable has any loss allowance.

4. Payable to related parties

Details of the Group's payables to related parties are as follows:

Accounts	Related Party Category/Name	2022.12.31	2021.12.31
Accounts payable	Other related parties	\$ 5,607	8,675
Other payables	Other related parties	416	486
		\$ 6,023	9,161

5. Leases

The Group leased factories from Hold-Key in January 2018 and May 2020 respectively, negotiating the lease according to the agreed price and signing five-year and three-year lease contracts with a total contract value of NTD 55,189 thousand. In April 2022 and July 2021, the Group renewed some of the said leases with HOLD-KEY for 5 years for 88,868 thousand and 94,008 thousand, respectively. Since the Group terminated or remeasured some of the said leases, lease liabilities as of December 31, 2022 and 2021 increased by 4,973 thousand and decreased by 16,535 thousand, respectively. Interest on the said leases that was paid by the Group in 2022 and 2021 was 1,201 thousand and 826 thousand, respectively. Outstanding lease liability balance as of December 31, 2022 and 2021 was 68,717 thousand and 79,043 thousand, respectively.

6. Leasing revenue

Related party	2022	2021
Other related parties		
Luminous Optical Vietnam	\$ 11,772	16,124

Through December 31, 2022 and 2021, the Group's deposits for renting out its factory to Luminous Optical Vietnam were NTD 3,523 thousand and NTD 3,425

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thousand respectively.

(III) Remuneration of key management personnel

	2022	2021
Short-term employee benefits	\$ 37,233	32,164
Retirement benefits	484	466
	\$ 37,717	32,630

VIII. Pledged assets

Pledged assets of the Group were as follows:

Assets	Purpose of pledge	2022.12.31	2021.12.31
Restricted time deposits (financial assets measured at amortized cost)	Power guarantee	\$ -	2,632

IX. Significant commitments and contingencies

Amounts of unused standby letters of credit that the Group has issued for the purchase of raw materials and machinery and equipment are as follows:

	2022.12.31	2021.12.31
Japanese Yen	JPY 131,103	JPY 28,667
USD	USD 85	USD 349
NTD	NTD -	25,907

X. Losses Due to Major Disasters: None.

XI. Subsequent Events: None.

XII. Other

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

By function By nature	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salary	107,209	113,443	220,652	112,627	115,803	228,430
Health and labor insurance	13,079	6,489	19,568	12,929	7,314	20,243
Pension	2,861	2,587	5,448	2,751	2,836	5,587
Director's remuneration	-	7,892	7,892	-	6,385	6,385
Other employee benefit expenses	7,691	2,361	10,052	9,158	3,000	12,158

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Depreciation expense (Note)	81,763	17,699	99,462	65,661	12,154	77,815
Amortization expense	510	554	1,064	326	5	331

Note: Depreciation expenses incurred for investment real estate in 2022 and 201 were NTD 17,832 thousand and NTD 16,906 thousand respectively, accounted under other gains and losses.

XIII. Other disclosures

(I) Information on significant transactions:

The following is the information on significant transactions required for disclosure by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the Group for 2022:

1. Loans to other parties:

Number (Note 1)	Lending company	Loan and counterparty	Whether the current subject is a related party	Maximum amount for the current period (Note 2)	Ending balance (Note 3)	Actual expenditure amount	Interest rate (%)	Nature of the loan of funds (Note 4)	Transaction amount for business between two parties	Reasons for necessity of short-term financing	Allowance for bad debt	Collateral		Loan of funds and limit for individual counterparties (Notes 5 and 6)	Loan of funds and total limit (Notes 5 and 6)
												Name	Value		
0	The Company	Young Fast Belize	Other receivables	Yes	135,124	-	-	0.65	2	-	Loan repayment and operating turnover	-	-	559,133	1,118,267
1	Young Fast Hong Kong	Young Fast Belize	Other receivables	Yes	852,180	-	-	0	2	-	In response to capital needs arising from investment structure adjustments of the Group	-	-	-	-
2	Young Fast Belize	Young Fast Samoa	Other receivables	Yes	767,750	-	-	0.25	2	-	In response to capital needs arising from investment structure adjustments of the Group	-	-	794,310	794,310
3	Young Fast Samoa	Young Fast Vietnam	Other receivables	Yes	153,550	153,550	-	0.20~0.65	2	-	Operating turnover	-	-	1,309,961	1,309,961

Note 1: The method for filling in the "Number" column is as follows:

1. The Company is filled in as 0.
2. Subsidiaries - in sequence by company from the Arabic numeral 1.

Note 2: The highest balance of funds loaned to others in the current year.

Note 3: Refers to the quota approved by the Board of Directors as of December 31, 2022.

Note 4: Method for filling in "Nature of the loan of funds":

1. For those with business dealings please fill in "1."
2. If there is a need for short-term financing, please fill in "2."

Note 5: The total amount of the Company's loans of funds to others shall not exceed 40% of the net value of the Company. If the nature of the loans of funds is short-term financing, the total loan amount shall not exceed 20% of the net value of the Company, and the total amount of loans of funds to individual counterparties shall not exceed 10% of the net value of the Company. If the nature of the loans of funds is for business transactions, the amount of individual loans should not exceed the transaction amount for business between the two parties involved in the previous year or in the current year. For companies that have short-term financing with Young Fast Hong Kong, the individual loan and limit amount shall not exceed 10% of the net value of Young Fast Hong Kong, and the total loan and amount shall not exceed 30% of the net value of Young Fast Hong Kong. When the counterparty of a loan of funds is the Company or is a company of the Group not located in Taiwan and in which the Company holds 100% of its total shares, the total amount and individual loans and limit amounts shall not exceed 150% of the net worth of Young Fast Hong Kong. For companies that have short-term financing with Young Fast Belize and Young Fast Samoa, the individual loan amount shall not exceed 10% of the net value of the Company, and the total loan amount shall not exceed 30% of the net value of the Company. When the counterparty of a loan of funds is the Company or is a company of the Group not located in Taiwan and in which the Company holds 100% of its total shares, the total amount and individual loans and limits shall not exceed 150% of the net worth of Young Fast Belize and Young Fast Samoa.

Note 6: Loans of funds and limit amounts are calculated based on the most recent financial statements audited and certified by an accountant.

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Note 7: Young Fast Hong Kong completed all liquidation proceedings on August 19, 2022.

2. Guarantees and endorsements for other parties:

Number (Note 1)	Endorsement/guarantee company name	Counterparty of guarantee/endorsement		Endorsement/guarantee limit for a single business (Note 3)	Maximum endorsement/guarantee balance in the current period	Endorsement/guarantee balance at end of period	Actual expenditure amount	Endorsement/guarantee amount by property guarantee	Proportion of cumulative endorsement/guarantee amounts to the net value of the most recent financial statements (%)	Maximum endorsement/guarantee amount (Note 3)	Parent company to subsidiary Endorsement/guarantee	Subsidiary to parent company Endorsement/guarantee	Endorsement/guarantee for the Mainland China region
		Company name	Relationship (Note 2)										
0	The Company	Young Fast Vietnam	2	1,677,400	276,390	138,195	-	-	2.47	2,795,667	Y	N	N
0	The Company	Young Fast Samoa	2	1,677,400	1,596,920	767,750	-	-	13.73	2,795,667	Y	N	N

Note 1: The method for filling in the "Number" column is as follows:

1. The Company is filled in as 0.
2. Subsidiaries - in sequence by company from the Arabic numeral 1.

Note 2: The relationship between the one providing endorsements/guarantees and the one receiving endorsements/guarantees is classified into six types:

1. Intercompany business transactions
2. Companies in which the Company directly and indirectly holds more than 50% of the voting rights.
3. Companies that directly and indirectly hold more than 50% of the voting shares of the Company.
4. The Company holds, directly or indirectly, 90% or more of the voting shares of the Company.
5. Companies that are mutually protected under contractual requirements based on the needs of the contractor.
6. Companies that are endorsed by shareholders in accordance with their shareholding ratios because of the joint investment relationship.
7. Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3: The total amount of the Company's endorsements/guarantees shall be 50% of the net value of the Company's most recent financial statements, and endorsements/guarantees for a single enterprise shall not exceed 20% of the net value of the Company's most recent financial statements. Endorsements/guarantees for a single overseas affiliate shall not exceed 30% of the net value of the Company's most recent financial statements.

3. Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with issuer of securities	Account title	End of period				Highest shareholding or capital contribution in the interim	Note
				Shares/Units	Carrying amount	Percentage of ownership	Fair value		
The Company	Shares: Promell Materials Technology Inc.	-	Financial assets mandatorily designated as at fair value through profit or loss-current	2,647	-	7.42%	-	2,647	
	Ritfast Corporation	-	"	245	-	0.74%	-	245	
	Shares: First Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income-current	28,133	745,533	0.21%	745,333	28,133	
	Mega Financial Holding Company Limited	-	"	23,319	707,724	0.17%	707,724	23,319	
	Taiwan Cooperative Financial Holding Co., Ltd.	-	"	55,445	1,389,557	0.38%	1,389,557	53,445	
	Taiwan Business Bank	-	"	13,732	177,832	0.17%	177,832	13,732	
	Taiwan Fertilizer Co., Ltd.	-	"	2,039	109,087	0.21%	109,087	2,039	
	Cathay Financial Holdings Co., Ltd.	-	"	1,672	66,887	0.01%	66,887	1,672	

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

The Company	Hold-Key Electric Wire & Cable Co., Ltd.	Major shareholders of the Company	Financial assets at fair value through other comprehensive income — non current	9,600	<u>3,196,620</u>	137,763	4.98%	<u>3,196,620</u>	137,763	9,600
	Sol Young Enterprises Co., Ltd.	Corporate director of the Company	"	356	12,610		0.55%	12,610		356
	ICP Technology Co., Ltd.	-	"	295	3,032		0.94%	3,032		295
	Willide Optoelectronics Co., Ltd.	-	"	1.5	1,500		15.00%	1,500		1.5
					<u>154,905</u>			<u>154,905</u>		

- Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Purchasing (selling) company	Name of transaction counterparty	Relationship	Transaction status				Circumstances and reasons why transaction conditions different from normal trading		Notes and accounts receivable (payable)		Note
			Purchase d (sold)	Amount	Proportion of total purchased (sold) (%)	Credit period	Unit price	Credit period	Balance	Proportion of total notes and accounts receivable (payable) (%)	
The Company	Hold-Key	Other related parties	Sales	141,164	9.11	Note 1	Note1	Note 1	24,026	10.78	
The Company	Young Fast Vietnam	Sub-subsidiary	Purchase of goods	475,177	47.20	Note 1	Note1	Note 1	(93,363)	(41.76)	Note 2
The Company	Taiwan SRU Corp.	Subsidiary	Purchase of goods	135,035	13.41	Note 1	Note1	Note 1	(46,494)	(20.80)	Note 2
Young Fast Vietnam	The Company	Parent company	Sales	(475,177)	99.96	Note 1	Note1	Note 1	93,363	100.00	
Taiwan SRU Corp.	The Company	Parent company	Sales	(135,035)	100.00	Note 1	Note1	Note 1	46,494	100.00	

Note 1: The Company's transaction conditions with the related party are mutually negotiated.

Note 2: In respect to transactions between merged entities listed above, these have been eliminated in preparing the consolidated financial statements.

- Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- Trading in derivative instruments: None.
- Business relationships and significant intercompany transactions:

Number	Name of transaction party	Name of counter party	Relationship with transaction party	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Young Fast Vietnam	1	Cost of goods sold	475,177	Mutually negotiated	30.74%
0	The	Young Fast Vietnam	1	Accounts	93,363	Mutually	1.49%

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

0	Company			payable		negotiated	
The Company	Taiwan SRU Corp.	1	Cost of goods sold	135,035	Mutually negotiated	8.74%	

Note 1: The method for filling in the "Number" column is as follows:

1. Parent company - 0.
2. Subsidiaries - in sequence from 1.

Note 2: Relationships are classified into three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: It is hereby disclosed that the amount of this item is a balance sheet account accounting for more than 1% of consolidated total assets and an income account accounting for more than 1% of the consolidated total revenue.

Note 4: In respect to transactions between merged entities listed above, these have been eliminated in preparing the consolidated financial statements.

(II) Information on investees

Information on the company's reinvestment business for the Group in 2022 is as follows (excluding investments in Mainland China companies):

Investing company name	Investee company name	Region	Main business items	Initial investment amount (Note 3)		Held at the end of the period			Highest shareholding or capital contribution in the interim	Profit and loss of the investee company for the current period (Note 2)	Investment gains and losses recognized in the current period (Note 2)	Note
				End of the current period	End of prior year	Number of shares	Percentage (%)	Carrying amount (Note 2)				
The Company	Young Fast Belize	Belize	Professional investment	3,000,130 (USD 100,000)	3,000,130 (USD 100,000)	100,000	100.00%	-	3,000,130 (USD 100,000)	4,522	4,522	Note 6
"	Young Fast Samoa	Samoa	Professional investment	1,946,551 (USD 66,500)	1,262,218 (USD 43,000)	57,195	100.00%	866,518	1,946,551 (USD 66,500)	(25,541)	(22,959)	Note 1
"	Taiwan SRU Corp.	Taiwan	Manufacturing of wire and cable accessories	30,960	30,960	3,096	51.00%	63,738	30,960	43,621	18,544	Note 1
"	Epoch	Taiwan	Optical instruments	150,626	150,626	8,080	23.75%	327,189	150,626	221,374	52,576	
Young Fast Belize	Young Fast Hong Kong	Hong Kong	Professional investment	-	3,093,236 (USD 103,080)	-	- %	-	3,093,236 (USD 103,080)	4,624	4,624	Note 5
Young Fast Samoa	Young Fast Vietnam	Vietnam	Manufacture and sales of touch panels	965,402 (USD 32,200)	965,402 (USD 32,200)	-	100.00%	791,565	965,402 (USD 32,200)	(746)	3,730	Note 1

Note 1: Taking into account unrealized and realized gains and losses on intercompany transactions.

Note 2: The amounts of investment gains and losses recognized by the Company are based on financial statements of the investee company audited by accountants and estimated by the equity method.

Note 3: In respect to transactions between merged entities listed above, these have been eliminated in preparing the consolidated financial statements.

Note 4: Initial investment amount is calculated based on historical exchange rates.

Note 5: The proposal to liquidate Young Fast Hong Kong was approved by the Company's Board of Directors meeting dated November 13, 2019, and all liquidation proceedings were completed on August 19, 2022.

Note 6: Young Fast Belize was still undergoing the liquidation proceeding on December 31, 2022, and already wired back the liquidation proceeds of 529,540 thousand.

(III) Information on investment in Mainland China:

1. Information on business reinvestment in Mainland China:

Mainland investee company name	Main business items	Paid-in capital	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the current period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of the current period	Profit and loss of the investee company for the current period	Shareholding ratio of direct or indirect investment by the Company (%)	Highest shareholding or capital contribution in the interim	Investment gains and losses recognized in the current period (Note 3)	Book value of investments at the end of the period (Note 3)	Investment income repatriated up to the current period
					Outflow	Inflow							
Tengyang Optoelectronics	After sales services (labor)	4,660 (USD 150)	(II)	-	-	-	-	431	100.00	4,660 (USD 150)	431	2,518	-

Note 1: The investment methods are divided into the following three categories, and it is sufficient to indicate the category:

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

(I) Direct investment in mainland China.

(II) Reinvestment in mainland China through a company in a third region. The current investment amount of USD 150 thousand is invested by Young Fast Samoa using its own funds.

(III) Other methods.

Note 2: The amounts of investment gains and losses recognized by the Company and the book values of investments at the end of the period are based on financial statements of the investee company checked by CPAs of the parent company with estimation carried out using the equity method.

Note 3: In respect to transactions between merged entities listed above, these have been eliminated in preparing the consolidated financial statements.

Note 4: The above listed USD to NTD exchange rates are based on historical exchange rates.

2. Limits on reinvestment in mainland China:

Unit: NTD thousand

Accumulated investment amount remitted from Taiwan to the mainland at the end of the current period (Note 3)	Investment amounts authorized by the Investment Commission of the Ministry of Economic Affairs (Note 2)	Investment limits for the Mainland Area in accordance with the regulations of the Investment Committee of the Ministry of Economic Affairs (Note 1)
-	2,242,106 (USD 73,009)	3,354,800

Note 1: 60% of net value.

Note 2: Accumulated remittance amount from Taiwan at the end of the current period (net of repatriation) calculated using historical exchange rates. The amount approved by the Investment Committee of the Ministry of Economic Affairs is calculated at the exchange rate of December 31, 2022 (USD:NTD exchange rate = 1:30.71).

Note 3: Does not include cumulative disposals (including sale, liquidation, dissolution, merger and bankruptcy, etc.) (net of repatriation). The amount of investment that has not been repatriated is NTD 2,044,027 thousand (USD 66,559 thousand).

3. Significant transactions: None.

(IV) Information on major shareholders:

Unit: Shares

Name of major shareholder	Number of shares held	% of shareholding
Sol Young Enterprises Co., Ltd.	30,605,114	20.22%
Hold-Key Electric Wire & Cable Co., Ltd.	20,414,832	13.49%
Zhangmiao Development Co., Ltd.	9,403,000	6.21%

Note: (1) Information on major shareholders in this table is calculated from the depository company on the last business day at the end of each quarter, and includes shareholders holding more than 5% of ordinary shares and preferred shares of the Company that have completed physical registration and delivery (including treasury shares). As for share capital recorded in the Company's financial statements and the actual number of shares delivered by the Company without physical registration, there may be differences or discrepancies due to different calculation bases.

(2) If the above-mentioned information indicates that shareholders are to

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

hand over shares to a trust, this shall be disclosed by the trustee who has opened an individual sub-account of the trustor of the special trust account. As for the insider shareholding declaration of shareholders holding more than 10% of the shares in accordance with the Securities and Exchange Act, such shareholdings include self-held shares plus the shares that are delivered to the trust and have the right to exercise decision-making power over the trust property, and so on. Please refer to the Market Observation Post System for information on insider shareholding declarations.

(3) Shareholding ratios are unconditionally rounded to two decimal places.

XIV. Segment information

(I) General information

Information is provided to key operating decision makers to make decisions on allocating resources and to measure departmental performances, focusing on each type of product or service delivered or provided. Reporting segments of the Group are divided into the Electromechanical Business Group and the Optoelectronics Business Group. Among them, the Electromechanical Business Group is mainly engaged in the manufacture of power cable accessories such as power generation, transmission and distribution as its main business. The Optoelectronics Business Group is mainly engaged in the research and development, manufacturing, and sales of various types of touch panels.

(II) Profit and loss, segment assets, and reconciliation of reporting segments

The Group's operating segment information and reconciliation are as follows:

	2022			
	Optoelectronics Business Group	Electromechanical Business Group	Adjustments and write-offs	Total
Revenue:				
Revenue from external customers	\$ 878,473	667,173	-	1,545,646
Reportable segment profit (loss)	\$ (69,516)	270,498	(360)	200,622
	2021			
	Optoelectronics Business Group	Electromechanical Business Group	Adjustments and write-offs	Total
Revenue:				
Revenue from external customers	\$ 885,213	564,078	-	1,449,291

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Reportable segment profit (loss)	\$ (139,830)	194,281	(360)	54,091
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	Optoelect ronics Business Group	Electrome chanical Business Group	Adjustm ents and write- offs	Total
Reporting segment assets (Note):				
December 31, 2022	<u>\$ 4,285,488</u>	<u>2,238,153</u>	<u>(241,781)</u>	<u>6,281,860</u>
December 31, 2021	<u>\$ 4,328,590</u>	<u>2,083,635</u>	<u>(351,655)</u>	<u>6,060,570</u>

Note: Does not include non-current assets held for sale.

The Group reports that the profit and loss of operating segments and the pre-tax profit and loss of segments with continuing operations are reconciled as follows:

	2022	2021
Profit and loss of operating segments to be reported \$	200,622	54,091
Non-operating income and expenses	<u>249,314</u>	<u>210,411</u>
Profit and loss before tax from segments with continuing operations	<u>\$ 449,936</u>	<u>264,502</u>

(III) Products and services

The Group's segment information is divided into reporting segments based on different products and services, and revenue from external customers has been disclosed therein. Therefore, there is no additional disclosure of information on products and services.

(IV) Geographical differentiation

The Group's geographical differentiation is as follows, where revenue is classified based on the geographical location of customers and non-current assets are classified based on the geographical location of the assets.

Revenue from external customers:

Regional breakdown	2022	2021
Asia	\$ 118,483	157,725
Americas	27,406	14,686
Taiwan	<u>1,399,757</u>	<u>1,276,880</u>
Total	<u>\$ 1,545,646</u>	<u>1,449,291</u>

Non-current assets:

Regional breakdown	2022.12.31	2021.12.31
Taiwan	\$ 678,607	649,988
Vietnam	<u>708,811</u>	<u>733,656</u>

Young Fast Optoelectronics Co., Ltd. and Subsidiaries, Notes to Consolidated Financial Statements (Continued)

Total	\$ 1,387,418	<u>1,383,644</u>
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Non-current assets include property, plant and equipment, investment real estate, right-of-use assets, intangible assets, prepaid equipment, and other non-current assets, but exclude financial instruments and deferred tax assets.

(V) Key customer information

Revenues from individual customers that account for more than 10% of the Group's total revenues are as follows:

		2022	
		Sales amount	Contribution %
Company A	\$	306,191	19.81
Company B		<u>171,177</u>	<u>11.07</u>
Total	\$	<u>477,368</u>	<u>30.88</u>

		2021	
		Sales amount	Contribution %
Company A	\$	<u>465,710</u>	<u>32.13</u>