Stock Code: 3622

# Young Fast Optoelectronics Co., Ltd.

# 2022 Annual Report

(Translation)

This annual report is available at: http://MOPS.TWSE.COM.TW (Market Observation Post System)
http://www.yfo.com.tw (company website)

**The date of publication: May 31, 2023**

1.The name, title, telephone number, and e-mail address of the spokesman or acting spokesman.

Spokesman: Sharon Ho

Title: Vice president

Telephone number: (03)4833665

E-mail address: 3622@yfo.com.tw

Acting spokesman: Eric Hsu

Title：President

Telephone number：(03)4833665

E-mail address：3622@yfo.com.tw

2.The address and telephone number of the company's headquarters, branch offices, and factories.

Head office address: No. 31, Jingjian 1st Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-3665

Optoelectronics Business Group: No. 31, Jingjian 1st Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-3665

Electromechanical Business Group: No. 22, Jingjian 5th Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-6219

3.The name, address, e-mail address, and telephone number of the agency handling shares transfer.

Name: Concord Securities Group, Stock Affairs

Address: B1F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City.

Website: http://www.6016.com.tw

TEL: (02)8787-1118

4.The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of the accounting firm to which they belong.

Name: Lisa Kuang and Stella Huang

CPA firm: KPMG

Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City.

TEL: (02)8101-6666

Website: https://kpmg.com/tw

5.The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

6.The address of the company's website: http://www.yfo.com.tw

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# One. Letter to Shareholders

Ladies and Gentlemen:

It is my honor that you took the time to attend the 2023 Annual Shareholders' Meeting of Young Fast Optoelectronics Co., Ltd., and I would like to thank you on behalf the Company and our staff for your support and love for the Company. Below is the report on our business performance for 2022 and future business plans:

I. 2022 Business Performance

(1) Business Strategy and It's Implementation Status

Over the past few years, the Company's Optoelectronics Business Group has been actively engaged in the research and development of functional touch panel sensors, and the surface printing, profiling, and processing (stain-resistance; anti-glare; anti-reflection; anti-bacteria) for our self-developed glass cover. Meanwhile, we have also expanded our business of edge lamination and full lamination of touch modules and different displays, developed the production capacity for Touch Monitor and FATP and electronic paper module bonding, to protect our R&D achievements, actively filed for patent protection at home and abroad. In 2021, we have branched out into the markets for industrial control, sports equipment, in-vehicle applications, and medium and large size advertising guide electronic paper module. Our glass process production line has begun mass production of glass sensors. We have also developed surface-coated glass covers. In doing so, we have deeply engaged in the sales market and maintained our market share. In the face of volatilities due to the pandemic, supply chain management was one of our major tasks for 2022.

In addition, our Electromechanical Business Group, given its major customer being the Taiwan Power Company, greatly valued product quality, safety, and ability to adapt; as so, it had established a high market entry barrier with its technologies and specifications certification, and therefore derived a stable gross profit, Therefore, in the face of strong demand in the domestic energy market, we began to actively expand production capacity in 2021, and the equipment, factory and manpower were gradually in place. In 2022, the production capacity of the new factory for mechanical and electrical products operated smoothly, and was able to meet the needs of future market growth. To assist customers in solving the current shortage of manpower in the market for equipment installation and construction, in addition to establishing a joint venture with an engineering company to jointly provide installation services, the Company cooperates with downstream engineering companies or deploys its own personnel and purchases relevant equipment to provide partial installation and construction, to provide customers with complete services.

Due to the continuous gains derived by our large- and medium-size touch panels from non-consumer markets such as industrial control, in-vehicle applications, and sports equipment, and also due to stable gains from the domestic market, our electromechanical products derived handsome profits. Meanwhile, we also focused on asset revitalization to diversify our income sources, and in doing so coped with the volatile international market, thereby lowering risk and boosting steady income.

(2) Implementation results of business plan

In 2022, the global economy began to recover due to the gradual slowdown of the COVID-19 pandemic. However, due to the impact of interest rate hikes and international inflation, as well as the increase in the inventory of electronic products and related components which took time to be consumed, photoelectric products, as a result, were affected by factors such as the slowdown in demand for some household economic products and inventory consumption. Nevertheless, the benefits after years of our intensive cultivation in the non-consumer sector showed, plus the stable management of raw materials and components, the business turnover is still comparable to that of the previous year. In addition, our electromechanical products were all for domestic use, We benefited from the domestic energy policy and the increase in power facilities projects of TaiPower in 2022, deriving a revenue that was 18.3% higher than the 2021 level. Coupled with steady non-operating income (i.e., investment income), our overall revenue and profits grew from last year. In 2022, the annual consolidated operating revenue stood at NTD 1,545,646 thousand, up 6.65% from last year; net income after taxes attributable to the Company at NTD 416,051 thousand, up NTD 279,430 thousand, or 48.89%, from last year; and earnings per share at NTD 2.75.

(3) Budget Implementation Status

The 2022 financial forecast was not made public, so there is no question of whether the budget was achieved or not.

(4) Financial income and expenses; profitability analysis

1. Analysis of receipts and expenditures

The Company has a sound capital structure. Our ratio of long-term capital to fixed assets was 678.78%. The debt ratio decreased to 10.02% in 2021, mainly due to that the cash inflows from operating activities are used to repay short-term borrowings. Liquidity ratio and quick ratio in 2022 were 795.84% and 730.78%, respectively, attesting to the Company’s good solvency.

2. Analysis of Profitability

The Company’s annual consolidated operating revenue and annual consolidated gross profit in 2022 were NTD 1,545,646 thousand and NTD408,242 thousand, respectively, an increase of 6.65% and 44.99%, respectively, from 2021. These were mainly due to the growth of business scale and the continuous implementation of cost reduction measures; coupled with expected credit impairment benefits, the consolidated operating profit for 2022 was NT$200,622 thousand. In terms of non-operating income was NT$249,314 thousand, it was mainly from the flexible use of idle assets of the Company and continuous injection of income such as rent and dividends. In 2022, the net income after taxes stood at NTD433,870 thousand, net income after taxes that is attributable to the Company at NTD 416,051 thousand, and earnings per share at NTD 2.75.

| Analysis | | 2021 | 2022 |
|---|---|---|---|
| Capital Structure analysis | Debt Ratio | 12.82% | 10.02% |
| | Long term funds to fix asset | 637.28% | 678.78% |
| Liquidity analysis | Current ratio | 795.84% | 1,177.64% |
| | Quick ratio | 730.78% | 1,110.49% |
| Profitability analysis | Return on total assets (%) | 5.30% | 7.08% |
| | Return on equity (%) | 5.61% | 7.61% |
| | Operation income to capital | 3.57% | 13.26% |
| | Net income before tax to capital | 17.48% | 29.73% |
| | Profit ratio | 20.46% | 28.07% |
| | Earnings per share (NT$) | 1.85 | 2.75 |

(5) Research and Development

A touch panel mainly serves the role that makes a human-machine interface more convenient. It is developed to suit different applications at different premises and under different environments, and towards a trend that features more a compact body and an even thinner bezel. The films on the surface of our touch control modules are self-developed. In terms of membranes and glass sensors, we adopt metallized films and lithography to effectively produce ultra-thin touch products. In terms of ultra-thin bezel, we use advanced laser processes such as precision exposure and CCD alignment to bring the line width and space width down to 15μm/10μm, so as to provide customers with a high-end product that features both a thinner bezel and a higher sensitivity. Our UV-resistant membranes and glass sensor process production lines can meet the requirements for in-vehicle applications, and for products to be used by our end customers under a lengthy exposure to sunshine. We also develop stain-resistant/anti-glare/anti-reflection/anti-bacteria coating technologies. In addition, we newly perform full lamination of cover glass and touch module for our LCM for use of industrial control, and advance the technology for lamination of electronics paper modules, to satisfy the diverse applications at the customer end.

The Electromechanical Business Group will introduce different types of terminal box equipment in response to the needs of TaiPower's equipment update; in addition, it will take advantage of the opportunity for the international division of labor to improve the manufacturing and processing capabilities of electrical equipment and metal parts.

II. Summary of the Business Plan for 2023

(I) Summary of the Business Plan

1. Optoelectronic BG

The Company’s touch panel products are non-consumer products, such as the industrial control products, medical products, in-vehicle products, sports products, and the lamination and assembly of electronics paper for indoor and outdoor use. As a result of market changes and customer needs, large- and medium-size products have become the major products and, along with FATP consolidation and total productive maintenance (TPM) of vertical production, are the critical items that we aim to develop and promote. In addition, the Company also strives to improve the stack-up yield rate for our touch and non-touch display applications and expand the applications of new materials, to provide customers with a complete and competitive solution, and in doing so sharpen our competitive edges. Meanwhile, the Company actively applies for patents at home and abroad and implements subsequent patent protection measures in order to ensure the Company’s interest.

The persistence of international inflation into 2023 is likely to prolong the time required for destocking of electronic products and related parts and components. Therefore, the Optoelectronic Business Group tends to adopt a conservative operational policy. Fortunately, new applications, e.g. electronic paper and electric car parts, are potential for growth. Meanwhile, by taking advantage of the Vietnam Factory, the Company will develop local business. Aside from continuous investment in R&D, control of raw materials, production capacity allocation, cost control, and human resources arrangement will become the Optoelectronic Business Group’s major goals this year. To cope with the volatile market, the Company will leverage our accumulated operational and R&D strength to be deeply engaged in the market and provide customers with consolidated services.

2. Electromechanical BG

Domestic demands boom, due to the government’s promotion of green electricity and the various electricity-related public construction and engineering plans. This results in the Company’s improving the products for high-voltage power transmission and distribution, the auxiliary equipment, and the process capability, and the subsidiaries’ improving their autonomy of developing and supplying raw materials. In addition, we also continue to provide good after-sale services and the installation services for construction projects.

(II) Future Development Strategy

1. Optoelectronic BG

(1) Develop cost-competitive niche products

Continue to cooperate with upstream and downstream manufacturers in technology research and production; develop new materials and technologies to provide touch solutions of high cost-performance ratio; and establish closer cooperative relations with customers and suppliers.

(2) Provide product integration services

The Company expands the business from production and sale of touch panels, to LCM lamination, and then to FATP services, constantly improving product compulsivity to seize more opportunities, thereby creating a win-win situation with customers.

(3) Develop more diversified product applications

Touch panels are ubiquitous in daily life, and even so when the pandemic has changed peoples' living patterns and therefore created a new business model and new demands. Facing an ever-changing environment, the Company will diversify its product applications to avoid the risk of concentration of product applications.

2. Electromechanical BG

(1) The Company will continue to work with vendors to jointly develop precision machining parts and components; scale up collaboration with the original providers of technologies and supply them with crucial parts; divide the labors required for sales in domestic and foreign markets;

(2) cement the relationship with downstream installation service providers, maintain a good collaboration model with them, and help them train their installation technicians, so as to provide customers with better installation service;

(3) develop and manufacture other electric product parts by using currently available equipment, so as to expand our product portfolio.

The Company's strategy on the macro-economic side is as follows:

1. Revitalize idle assets to increase income

Adhere to the business plan to consolidate idle assets and use them flexibly, to increase fixed income.

2. Comply with local laws and regulations to lower operational risks

Continue employee education and training; consult advisers and professionals to understand the influence of local laws and regulations of a country on the Company's various business activities early on, so as to plan ahead and in doing so avoid operational risk.

3. Enhance public health management

Being the most important topic in the world, public health has a significant impact, both in scale and in depth. The Company shall implement public health management and provide education and training in this regard in order to ensure smooth operations and lower the impact.

The global economy in 2023 has recovered to its pre-pandemic level as countries around the world were gradually lifting their pandemic control measures. However, interest rate hike and inflation have also slowed down the economic growth, bringing demand down and prolonging the time required for destocking. Fortunately, benefited from the growth in domestic electric projects and the diversification of the Company's revenue sources, the Company was only slighted impacted and still reaped a profit in 2022 over 2021. This year, though challenges and variables are expected, the Company will leverage our sound financial structure, solid R&D strength, and business development ambition to improve the Company's value as well as shareholder return. We sincerely urge that you continue giving your support and guidance to us to jointly create a bright future.

We wish you healthy fortunate and lucky

Chairperson Chihchiang Pai

# Two. Company Profile

I. Date of Incorporation: July 30 2002

Head office address: No. 31, Jingjian 1st Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-3665

Optoelectronics Business Group: No. 31, Jingjian 1st Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-3665

Electromechanical Business Group: No. 22, Jingjian 5th Rd., Guanyin Dist., Taoyuan City.

TEL: (03)483-6219

II. Company History

2002: In accordance with the Industrial Development Bureau's plan to upgrade industrial technology and promote the localization of key components of high-voltage cable accessories, the Company was established in 2002 and undertook technical cooperation with Furukawa Electric Co. of Japan to produce 69KV and 161KV EHV power cable accessories encompassing cable covering protection devices as well as terminal boxes and connection boxes for use in connecting underground cables to form a complete power transmission system loop. Initial registered capital was NT$5,000,000.

2003: To expand equipment for the sake of meeting the needs of business development, engaged in cash capital increase of NT$36,400,000. Capital after increase was NT$41,400,000.

2004: Cash capital increase of NT$18,600,000. Capital after increase was NT$60,000,000.
Obtained Taipower certificate of qualification for 69KV and 161 KV power cable covering protection devices.
Obtained Taipower certificate of qualification for 69 KV power cable terminal boxes and connection boxes.

2005: Obtained Taipower certificate of qualification for 161KV cross-connected PE power cable connection boxes and terminal boxes, becoming the first qualified supplier of 69KV and 161KV power cable accessories under Taipower's localization policy.
The Company met the stipulations of Article 5 of the Regulations Governing Incentive Measures for Profit-seeking Enterprise Income Tax Exemption for Profit-seeking Enterprises for Five Years, obtaining a certificate of completion issued by the Industrial Development Bureau of the Ministry of Economic Affairs.

2006: Cash capital increase of NT$40,000,000. Capital after increase was NT$100,000,000.

2007: In April, Taiwan SRU Corporation Limited was established as a joint venture with VISCAS of Japan.
In November, an interim meeting of shareholders approved a merger with Young Fast Optoelectronics Co., Ltd. with the Company to be the surviving company and Young Fast Optoelectronics Co., Ltd. to be the eliminated company. Capital after merger and capital increase was NT$940,000,000.

2008: The Company changed its name to Young Fast Optoelectronics Co., Ltd.
In March, public offering of shares was approved and shares were officially listed on the Emerging Stock Market.
Engaged in cash capital increase of NT$70,000,000 as well as capitalization of earnings and capital reserves of NT$47,000,000. Capital after increase was NT$1,057,000,000.

2009: In January, passed ISO-14001 and OHSAS-18001 certification.
In March, engaged in cash capital increase of NT$100,880,000. Capital after increase was NT$1,157,880,000.
In March, listed on the Taiwan Stock Exchange.
In May, carried out capitalization of capital reserves of NT$158,550,000. Capital after increase was NT$1,316,430,000.

In December, awarded a place on Deloitte's “Asia Pacific Technology Fast 500” for 2009
In December, received the Taiwan Samsung IPC Growth Leadership Award.

2010: In January, passed TS-16949 certification.
In January, received LG Mobile Phone Component Supplier Quality Award.
In January, carried out capitalization of employee stock options for the fourth quarter of 2009 amounting to NT$3,995,000. Capital after increase was NT$1,320,425,000.
In March, received recognition as a Taiwan Top 100 Technology Company for 2010.
In April, carried out capitalization of employee stock options for the first quarter of 2010 amounting to NT$9,575,000. Capital after increase was NT$1,330,000,000.
In April, Mr. Chen Chen-Lung resigned as supervisor. Separately, Hold-Key Electric Wire and Cable Co., Ltd. was elected as a supervisor of the Company through a by-election of the shareholders' meeting.
In June, Chung Hwa International Investment Co., Ltd. was released from the position of supervisor.
In July, carried out capitalization of employee stock options for the second quarter of 2010 amounting to NT$3,050,000. Capital after increase was NT$1,333,050,000.
In September, engaged in cash capital increase of NT$85,000,000. Capital after increase was NT$1,418,050,000.
In November, Mr. Pai Chi-Chiang was released from the position of director.

2011: In January, carried out capitalization of employee stock options for the fourth quarter of 2010 amounting to NT$3,045,000. Capital after increase was NT$1,421,095,000.
In March, received recognition as a Taiwan Top 100 Technology Company for 2011.
In May, carried out capitalization of employee stock options for the first quarter of 2011 amounting to NT$2,325,000. Capital after increase was NT$1,423,420,000.
In June, conducted the election of directors and supervisors.
In July, carried out capitalization of employee stock options for the second quarter of 2011 amounting to NT$3,635,000. Capital after increase was NT$1,427,055,000.
In August, carried out capitalization of capital reserves of NT$71,183,500. Capital after increase was NT$1,498,238,500.
In November, carried out capitalization of employee stock options for the third quarter of 2011 amounting to NT$2,910,000. Capital after increase was NT$1,501,148,500.
In November, awarded a place on Deloitte's “Asia Pacific Technology Fast 500” for 2011
In November, received recognition from the Taoyuan County Government Health Bureau as a company with outstanding performance for the "Healthy Taoyuan 100 Waist Movement" initiative.

2012: In April, carried out capitalization of employee stock options for the fourth quarter of 2011 and the first quarter of 2012 amounting to NT$5,055,000. Capital after increase was NT$1,506,203,500.
In July, handled registration of amendments to the Articles of Incorporation.
In September, carried out capitalization of employee stock options for the second quarter of 2012 amounting to NT$3,680,000. Capital after increase was NT$1,509,883,500.
In October, obtained the Healthy Workplace Self-Certification - Healthy Startup Badge of the National Health Bureau, Department of Health.
In December, carried out capitalization of employee stock options for the third quarter of 2012 amounting to NT$155,000. Capital after increase was NT$1,510,038,500.

2013: In February, carried out capitalization of employee stock options for the fourth quarter of 2012 amounting to NT$1,585,000. Capital after increase was NT$1,511,623,500.
In April, carried out capitalization of employee stock options for the first quarter of 2013 amounting to NT$830,000. Capital after increase was NT$1,512,453,500.
In July, participated in the Taoyuan County Government's excellent breastfeeding/ collection room selection activities, winning fourth place in the county.
In December, carried out capitalization of employee stock options for the third quarter of

2013 amounting to NT$330,000. Capital after increase was NT$1,512,783,500.

2014: In May, carried out capitalization of employee stock options for the first quarter of 2014 amounting to NT$45,000. Capital after increase was NT$1,512,828,500.
In June, conducted the election of directors and supervisors, and the number of directors was increased from seven to nine.
In November, carried out capitalization of employee stock options for the third quarter of 2014 amounting to NT$447,500. Capital after increase was NT$1,513,276,000.

2015: Conducted a by-election for one director in June.
In October, continued to obtain the Healthy Workplace Self-Certification - Healthy Startup Badge of the National Health Bureau, Department of Health.

2016: In January, the Board of Directors passed a resolution for the Company's relocation.
In March, Mr. Lin Chia-Yen was released from the position of supervisor.
In June, handled registration of amendments to the Articles of Incorporation.

2017: In April, Mr. Yang Chi-Ta was released from the position of director.
In April, the Board of Directors passed a resolution for the undertaking of a short-form merger between the Company and Lucky Chance Enterprise Co., Ltd. and Lead Well Technology Co., Ltd.
In June, conducted the election of directors and supervisors.
In September, Mr. Hsu Yi-Chuan was released from the position of director.

2018: Conducted a by-election for one director in June.
In October, continued to obtain the Healthy Workplace Self-Certification - Healthy Startup Badge of the Health Promotion Administration, Ministry of Health and Welfare.

2019: In November, awarded the EcoVadis Silver Medal for Corporate Social Responsibility Performance.
In November, the Board of Directors approved handling of the liquidation of Young Fast (Belize) to streamline the Group's organizational structure.

2020: In June, conducted the election of directors and set up an Audit Committee
In August, Young Fast (Samoa) became the sole shareholder of Young Fast (Vietnam)

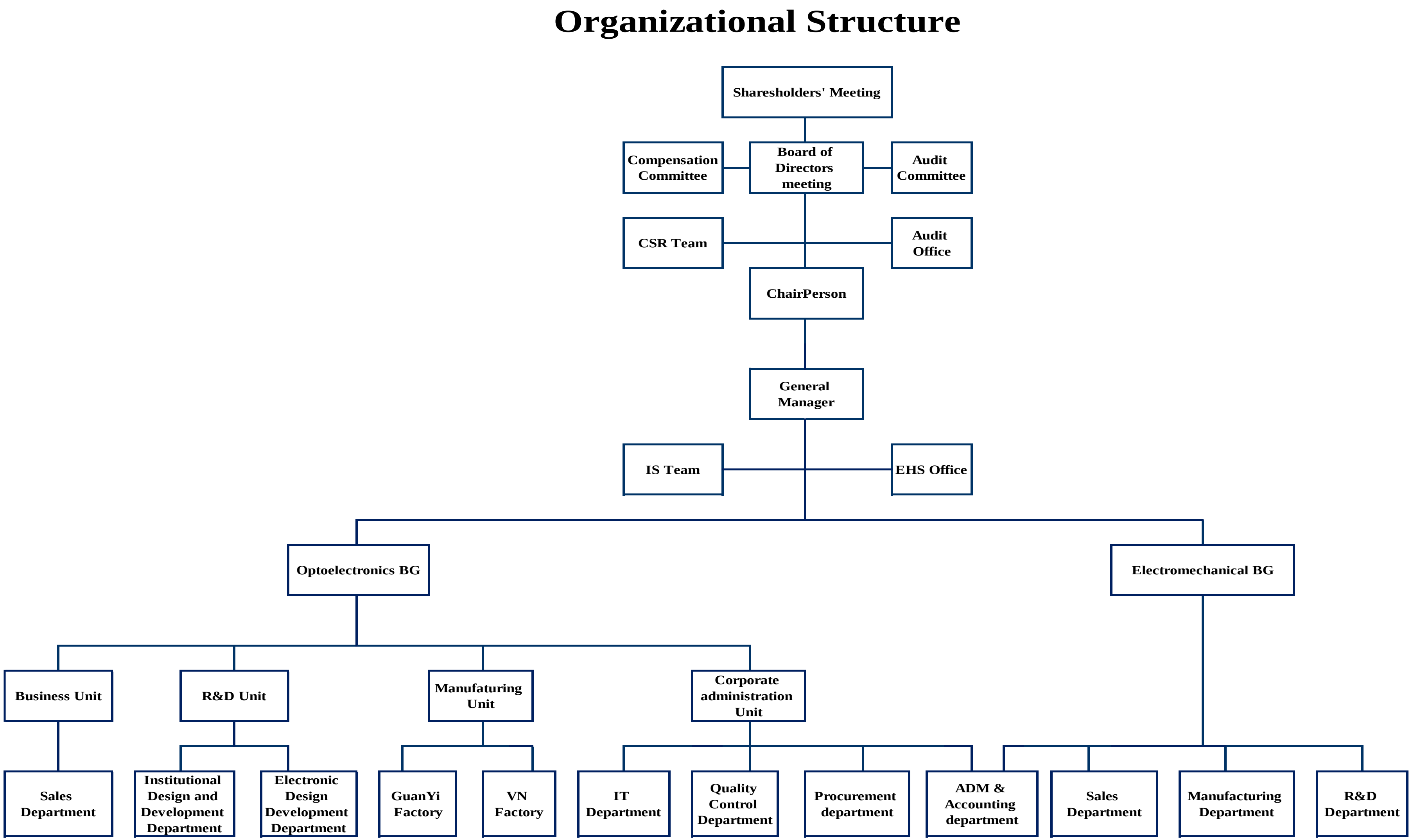
2021: To upgrade factory facilities, the Electromechanical Business Group relocated to a new factory in July.
In December, liquidation and write-off operations were completed for Loyal Motion Optoelectronics Co., Ltd..

2022: Completed the liquidation and cancellation of Young Fast Optoelectronics (HK) Co., Ltd.in September.
Passed the IATF 16949 certification in October.

# Three. Corporate Governance Report

## I. Organizational System

(I) Organizational Structure



(II) Major Department Functions

| Department | Major Functions |
|---|---|
| Audit Office | • Established an audit system.<br>• Implemented the audit process.<br>• Engaged in internal risk planning and management.<br>• Tracked improvements. |
| CSR Team | • Formulated, planned, supervised, promoted and reviewed corporate social responsibility policies, systems and actions, management guidelines and so on.<br>• Promoted ethical management and supervised implementation.<br>• Take responsibility for coordinating corporate governance-related affairs. |
| IS Team | • Formulated, planned, supervised, promoted and reviewed information security policies, systems and actions, management guidelines and so on.<br>• Take responsibility for coordinating information security -related affairs. |
| EHS Office | • Formulated, planned, supervised and promoted safety and health management matters.<br>• Implemented each regular inspection, key inspection, operational inspection and on-site inspections.<br>• Undertook each safety and health management record and performance evaluation measure.<br>• Undertook investigation, handling and statistical analysis of occupational incidents, false alarms and events affecting physical and mental health. |
| Business Unit | • Drafted business plans.<br>• Undertook business development and sales execution.<br>• Established and maintained customer relationships.<br>• Undertook customer credit proposals and accounts receivable collections.<br>• Dealt with customer discounts, sales returns and customer complaints.<br>• Took responsibility for market research, collection, and analysis.<br>• Formulated new product development strategies. |
| R&D Unit | • Undertook new technology development and trend research.<br>• Undertook development, verification and testing of new materials.<br>• Undertook new product development and design for customers.<br>• Established and managed new technology standards.<br>• Took responsibility for the development and improvement of products, technologies, and processes.<br>• Reviewed, implemented and evaluated proposed R&D strategy and research plans. |

| Department | Major Functions |
| --- | --- |
| Manufacturing Unit | • Undertook production target planning and execution.<br>• Undertook requisition of raw materials and coordination of production capacity.<br>• Implemented and managed outsourced operations.<br>• Undertook production yield and efficiency improvement and management.<br>• Undertook management and maintenance of production equipment and related facilities.<br>• Established and managed technology standards.<br>• Undertook quality reliability verification and management.<br>• Undertook development and implementation of quality strategies and policies.<br>• Undertook related quality planning, introduction and management.<br>• Handled quality assurance and management of raw materials, semi-finished products and finished products.<br>• Undertook customer complaint handling and tracking of corrective action. |
| Corporate Administration Unit | • Undertook processing and management of information system related operations.<br>• Handled procurement of raw materials and commodities.<br>• Handled supplier development selection and procurement delivery control and follow-up.<br>• Undertook purchasing analysis, inquiry, comparison, negotiation and ordering.<br>• Handled and managed personnel-related operations.<br>• Managed general affairs.<br>• Undertook general affairs purchasing.<br>• Handled accounting transactions.<br>• Undertook budget summaries and each item of management report preparation and analysis.<br>• Engaged in long-term and short-term capital planning, raising and scheduling.<br>• Engaged in reinvestment operation planning and management.<br>• Managed foreign exchange, interest rates and risk.<br>• Managed stock operations.<br>• Managed contracts and legal matters.<br>• Managed inventory inflow and outflow and warehousing.<br>• Undertook customer credit investigation work. |

## II. Information about Directors, President, Vice President, Assistant Vice President, and Head of Department and Branch

### (I) Information about Board Members

#### 1. Board Members

April 2, 2023

| Title | Nationality | Name | Gender /Age | Date elected | Term of office | Date first elected | Shareholding when Elected | | Shareholding Now | | Shareholding of spouse and minor children now | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies now | Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| Chairman | ROC | Chihchiang Pai | Male/64 | 2020.06.30 | 3 | 2007.12.24 | 137,245 | 0.09 | 137,245 | 0.09 | 68,897 | 0.05 | 0 | 0.00 | University of Lowell, USA- Master of Plastics Engineering<br>Special assistant, Hold-Key Electric Wire & Cable Co., Ltd.<br>Factory Director, Bond-Galv Industrial Co., Ltd.<br>President of the Company | Chairman, Young Fast (Belize) Co., Ltd.<br>Director, Taiwan SRU Co., Ltd. | None | None | None | None |
| Director | ROC | Soy Young Enterprise Co., Ltd. | - | 2020.06.30 | 3 | 2007.12.24 | 25,955,114 | 17.15 | 30,841,114 | 20.38 | 0 | 0.00 | 0 | 0.00 | - | - | None | None | None | None |
| | ROC | Representative: Shujuan Xu | Female/60 | 2020.06.30 | | 2007.12.24 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Provincial Chiayi Business School<br>Chairman, Soy Young Enterprise Co., Ltd. | Chair, Soy Young Enterprise Co., Ltd.<br>Director, Luminous Optical Technology Co., Ltd.<br>Director, Taiwan Flex Electronics Co., Ltd.<br>Director, Jianshuo Industrial Co., Ltd. | None | None | None | None |

| Title | Nationality | Name | Gender /Age | Date elected | Term of office | Date first elected | Shareholding when Elected | | Shareholding Now | | Shareholding of spouse and minor children now | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies now | Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| | ROC | Hold-Key Electric Wire & Cable Co., Ltd. | - | 2020.06.30 | | 2020.06.30 | 18,621,832 | 12.31 | 20,414,832 | 13.49 | 0 | 0.00 | 0 | 0.00 | - | - | None | None | None | None |
| Director | ROC | Representative: Xinzheng Li | Male/59 | 2020.06.30 | 3 | 2014.06.27 | 452 | 0 | 452 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Electrical Engineering, Chien Hsin University of Science and Technology<br>Vice- Factory Director, China Wire & Cable Co., Ltd. | President, Electromechanical BG of the Company<br>President, Hold-Key Electric Wire & Cable Co., Ltd.<br>Director & President, Taiwan SRU Co., Ltd.<br>Chairperson, Muchon Farm Co., Ltd. | None | None | None | None |
| Director | ROC | Yichuan Hsu | Male/49 | 2020.06.30 | 3 | 2011.06.15 | 1,820 | 0.00 | 1,820 | 0.00 | 0 | 0.00 | 0 | 0.00 | Graduated from Department of Accounting, National Chung Hsing University<br>Assistant Officer, Deloitte & Touche.<br>Section Manager, Hold-Key Electric Wire & Cable Co., Ltd.<br>Business Division, deputy general manager of the Company | President of the Company<br>Chairman, Young Fast Optoelectronics (HK) Co., Ltd. | None | None | None | None |
| Director | ROC | Fengyu Ho | Female/ 55 | 2020.06.30 | 3 | 2014.06.27 | 512 | 0.00 | 512 | 0.00 | 0 | 0.00 | 0 | 0.00 | Tulane University, USA - MBA<br>Deputy assistant general manager, Esun Security Co., Ltd.<br>Assistant vice president, Masterlink Security Co., Ltd.<br>Supervisor, KPMG | Vice president of the Company<br>Chairman, Young Fast (SAMOA) Co., Ltd. | None | None | None | None |

| Title | Nationality | Name | Gender /Age | Date elected | Term of office | Date first elected | Shareholding when Elected | | Shareholding Now | | Shareholding of spouse and minor children now | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies now | Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| Director | Taiwan | Menggui Lin | Male/52 | 2020.06.30 | 3 | 2015.06.18 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Electrical Engineering, Chung Yuan Christian University<br>Senior Manager, Novatek Microelectronics Corp.<br>Senior Manager, Taiding Microelectronics Co., Ltd. | Vice president of the Company | None | None | None | None |
| Independent Director | Taiwan | Chengkun Kuo | Male/71 | 2020.06.30 | 3 | 2008.05.30 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph.D. in Finance, The University of Texas at Austin<br>Committee member, Taiwan Futures Exchange Trading Commission<br>Remuneration Committee member, Hold-Key Electric Wire and Cable Co., Ltd.<br>Dean of Students and Professor of the Department of Finance, Kainan University<br>Head of the Department of International Business Studies and Institute of National Taiwan University | Honorary Professor, Department and Institute of International Business Studies, National Taiwan University | None | None | None | None |

| Title | Nationality | Name | Gender /Age | Date elected | Term of office | Date first elected | Shareholding when Elected | | Shareholding Now | | Shareholding of spouse and minor children now | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies now | Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| Independent Director | Taiwan | Wenxiu Zhang | Male/66 | 2020.06.30 | 3 | 2020.06.30 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Accounting, National Chengchi University<br>Graduate Accounting Institute, National Chengchi University<br>Studied at New York University<br>Passed Second Class Special Examination of the Central Bank<br>Passed accountancy college entrance examination<br>Deputy Manager, CTBC Bank<br>Vice President, Taishin Bank<br>Vice Presiden, Hwatai Bank<br>Independent Director and Member of Remuneration Committee, Luminous Optical Technology Co., Ltd.<br>Independent Director, David Electronics Co., Ltd.<br>Chief Financial Officer, Taiwan International Ports Corporation, Ltd. | Independent Director, Lukas Biomedical Inc. | None | None | None | None |

| Title | Nationality | Name | Gender /Age | Date elected | Term of office | Date first elected | Shareholding when Elected | | Shareholding Now | | Shareholding of spouse and minor children now | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies now | Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| Independent Director | Taiwan | Xiege Hao | Male/52 | 2020.06.30 | 3 | 2020.06.30 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Bachelor of Law, National Chung Hsing University Taipei Institute of Law and Business (now renamed as National Taipei University)<br>LL.M., Washington and Lee University School of Law, Virginia, USA<br>Passed college entrance examination for civil servants in finance and law<br>Passed special magistrate examination of the Judicial Yuan<br>Judge of Criminal Court, Taiwan Kaohsiung District Court; Criminal and Civil Judge, Kaohsiung Summary Court<br>Judge, Civil Division, Hualien District Court, Taiwan; Judge and Director of Civil Enforcement Division and Depository, Hualien Summary Court/Fenglin Summary Court/Yuli Summary Court<br>Senior Attorney, Lee and Li Attorneys at Law<br>Presiding Attorney, Throne Attorneys at Law | Senior Attorney, Meridian Attorneys-at-Law | None | None | None | None |

2. Major Shareholders of the Corporate Shareholders

April 2, 2023

| Name of Corporate Shareholder | Major Shareholders of the Corporate Shareholders |
|---|---|
| Sol Young Enterprise Co., Ltd. | Zhangmiao Development Co., Ltd. (16.14%), Yusheng Asset Development Co., Ltd. (7.92%), Bond-Galv Industrial Co., Ltd. (7.24%), Shuli Xu (6.19%), Hold-Key Electric Wire & Cable Co., Ltd. (5.60%), Huan Yi Development Co., Ltd. (4.45%), Jianhe Zeng (2.76%), Young Ssuh Wong Internation Developer Co., Ltd. (2.61%), Fenggen Development Co., Ltd. (2.05%), Yangheng Chen (1.85%) |
| Hold-Key Electric Wire & Cable Co., Ltd.(Note) | Sol Young Enterprise Co., Ltd. (32.20%)、Young Fast Optoelectronics C., Ltd.(4.98%)、Zhangmiao Development Co., Ltd. (4.22%)、Fenggen Development Co., Ltd. (2.17%)、Zhijie Yang(1.75%)、Yecheng Yang(1.7%)、Huan Yi Development Co., Ltd. (1.34%)、Bond-Galv Industrial Co., Ltd. (1.21%)、 Shuli Xu(1.09%)、Qiujie Shao(0.95%) |

Note: The source of the information is the company's last shareholder register (2022.7.18).

3. Where the Major Shareholders of a Corporate Shareholder are Juristic Persons, the Major Shareholders

April 2, 2023

| The Name of Corporation | Major Shareholders of Corporation |
|---|---|
| Zhangmiao Development Co., Ltd. | Shufen Xu (94.24%), Weizhi Lai (2.00%), Yanan Lai (1.38%), Yanxin Lai (1.38%), Liangxu Lai (0.50%), Yisen Lai (0.50%) |
| Yusheng Asset Development Co., Ltd. | Shuli Xu (63.60%), Zhijie Yang (14%), Yecheng Yang (13.98%), Kaiti Yang (8.38%), Shujuan Xu (0.02%), Shumei Xu (0.02%) |
| Bond-Galv Industrial Co., Ltd. | Sol Young Enterprise Co., Ltd. (34.51%)、Hold-Key Electric Wire & Cable Co., Ltd. (11.46%)、Zhangmiao Development Co., Ltd. (11.07%)、Yusheng Asset Development Co., Ltd. (4.58%)、Jianhe Zeng(3.46%)、Huan Yi Development Co., Ltd. (3.06%)、Autotech Auotparts Ent. Co., Ltd. (2.62%)、Mingzong Wang(2.28%)、Xihao Lin(1.88%)、Liangxu Lai(1.86%) |
| Huan Yi Development Co., Ltd. | Suyuan Yu (60.91%), Peizhu Huang (34.05%), Xueqing Huang (5.00%), Sulian Yu (0.02%), Zhongyu Xu (0.02%) |
| Young Ssuh Wong Internation Developer Co., Ltd. | Zhenxiu Yang(47.50%)、Xiangyun Yang(21.04%)、ZitingYang(17.34%)、Yuling Yang(12.82%)、Jiachang Yang(1.3%) |
| Fenggen Development Co., Ltd. | Shufen Xu (93.19%), Yan'an Lai (3.06%), Yanxin Lai (3.06%), Weizhi Lai (0.33%), Yisen Lai (0.33%), Liangxu Lai (0.03%) |

4. Information on Directors' Independence

April 2, 2023

| Criteria / Name | Work Experience and Professional Qualifications | Independence Criteria | Concurrently Employed by Other Public Company Number of Independent directors |
|---|---|---|---|
| Chihchiang Pai | University of Lowell, USA- Master of Plastics Engineering<br>Special Assistant, Hold-Key Electric Wire & Cable Co., Ltd.<br>Factory Director, Bond-Galv Industrial Co., Ltd.<br>President for the Company | Not independent director | 0 |
| Soy Young Enterprise Co., Ltd. | NA | | 0 |
| Hold-Key Electric Wire & Cable Co., Ltd. | NA | | 0 |
| Yichuan Hsu | Graduated from Department of Accounting, National Chung Hsing University<br>Assistant Officer, Deloitte & Touche.<br>Section Manager, Hold-Key Electric Wire & Cable Co., Ltd.<br>Business Division, VP of the Company | | 0 |
| Fengyu Ho | Tulane University, USA -MBA<br>Assistant VP, E.Sun Security Co., Ltd.<br>Assistant VP, Masterlink Security Co., Ltd.<br>Supervisor, KPMG | | 0 |
| Menggui Lin | Department of Electrical Engineering, Chung Yuan Christian University<br>Senior Manager, Novatek Microelectronics Corp.<br>Senior Manager, Taiding Microelectronics Co., Ltd. | | 0 |

<table>
<tr><th>Criteria / Name</th><th>Work Experience and Professional Qualifications</th><th>Independence Criteria</th><th>Concurrently Employed by Other Public Company Number of Independent directors</th></tr>
<tr><td>Chengkun Kuo</td><td>Ph.D. in Finance, The University of Texas at Austin<br>Committee member, Taiwan Futures Exchange Trading Commission<br>Remuneration Committee Member, Hold-Key Electric Wire and Cable Co., Ltd.<br>Dean of Students and Professor of the Department of Finance, Kainan University<br>Head of the Department of International Business Studies and Institute Director, National Taiwan University</td><td rowspan="2">1. The individual, or the spouse thereof, or a relative within two degree of kinship thereof did not serve as a director, supervisor, or employee of the Company or any of the Company’s affiliates.<br>2. The individual, or the spouse thereof, or a relative within two degree of kinship thereof (or other person) did not hold the Company’s shares.<br>3. The individual, or the spouse thereof, or a relative within two degree of kinship thereof did not serve as a director, supervisor, or employee of the Company or any company having a specific relationship with the Company.<br>4. The individual did not provide the Company or any of its affiliates with commerce, legal, financial or accounting services or receive any compensation therefrom in the past two years.<br>As required by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company has obtained an independent statement from each independent director at the time when they were elected, and has reviewed and confirmed their independence qualifications and criteria.</td><td>0</td></tr>
<tr><td>Wenxiu Zhang</td><td>Department of Accounting, National Chengchi University<br>Graduate Accounting Institute, National Chengchi University<br>Studied at New York University<br>Passed Second Class Special Examination of the Central Bank<br>Passed Accountancy College Entrance Examination<br>Deputy Manager, CTBC Bank<br>VP, Taishin Bank<br>VP, Hwatai Bank<br>Independent Director and Member of Remuneration Committee, Luminous Optical Technology Co., Ltd.<br>Independent Director, David Electronics Co., Ltd.<br>Chief Financial Officer, Taiwan International Ports Corporation, Ltd.</td><td>0</td></tr>
</table>

| Criteria / Name | Work Experience and Professional Qualifications | Independence Criteria | Concurrently Employed by Other Public Company Number of Independent directors |
|---|---|---|---|
| Xiege Hao | Bachelor of Law, National Chung Hsing University Taipei Institute of Law and Business (now renamed as National Taipei University)<br>LL.M., Washington and Lee University School of Law, Virginia, USA<br>Passed college entrance examination for civil servants in finance and law<br>Passed special magistrate examination of the Judicial Yuan<br>Judge of Criminal Court, Taiwan Kaohsiung District Court; Criminal and Civil Judge, Kaohsiung Summary Court<br>Judge, Civil Division, Hualien District Court, Taiwan; Judge and Director of Civil Enforcement Division and Depository, Hualien Summary Court/Fenglin Summary Court/Yuli Summary Court<br>Senior Attorney, Lee and Li Attorneys at Law<br>Presiding Attorney, Throne Attorneys at Law | 1. The individual, or the spouse thereof, or a relative within two degree of kinship thereof did not serve as a director, supervisor, or employee of the Company or any of the Company's affiliates.<br>2. The individual, or the spouse thereof, or a relative within two degree of kinship thereof (or other person) did not hold the Company's shares.<br>3. The individual, or the spouse thereof, or a relative within two degree of kinship thereof did not serve as a director, supervisor, or employee of the Company or any company having a specific relationship with the Company.<br>4. The individual did not provide the Company or any of its affiliates with commerce, legal, financial or accounting services or receive any compensation therefrom in the past two years.<br>As required by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company has obtained an independent statement from each independent director at the time when they were elected, and has reviewed and confirmed their independence qualifications and criteria. | 1 |

5. The diversity and status of independence of the board of directors

(1) The diversity of the board of directors

The Company has established a policy of diversity in the composition of members in the selection process of directors and supervisors, currently without regard to gender, religion, age and so on and having their own expertise in industry matters, marketing, accounting, finance, law, technology and so on. The diversity of members of the seventh session of the Board of Directors of the Company is shown in Table 1 below.

Table 1
Young Fast Optoelectronics Co., Ltd.
Membership diversification among the 7th Board of Directors

| Core Item / Name | Gender | Nationality | Management | Leadership | Industry knowledge | Finance & Accounting | Law | Technology | Marketing |
|---|---|---|---|---|---|---|---|---|---|
| Chihchiang Pai | Male | ROC | V | V | V | | | V | |
| Yichuan Hsu | Male | ROC | V | V | V | | | | V |
| Fengyu Ho | Female | ROC | V | V | V | V | | | |
| Menggui Lin | Male | ROC | V | V | V | | | V | |
| Hold-Key Electric Wire & Cable Co., Ltd. Representative: Xinzheng Li | Male | ROC | V | V | V | | | | V |
| Soy Young Enterprise Co., Ltd. Representative: Shujuan Xu | Female | ROC | V | V | V | | | | |
| Chengkun Kuo | Male | ROC | V | V | | V | | | |
| Wenxiu Zhang | Male | ROC | V | V | | V | | | |
| Xiege Hao | Male | ROC | V | V | | | V | | |

Among the nine directors, 33% are directors with employee status, 33% are independent directors, and 22% are female directors. Nine out of nine directors have expertise in business management and leadership decision-making; seven out of nine have industry knowledge; three out of nine have majored in financial accounting; one out of nine has majored in legal affairs; two out of nine have majored in technology and environmental protection; and two out of nine have majored in marketing. The Company pays attention to gender equality in the composition of the Board of Directors: the target for the ratio of female directors is 30% or more and we expect to nominate several female directors at the 8th Board meeting to achieve this goal.

(2) The status of independence of the board of directors

The Company has nine directors, three are independent directors, accounting for one thirds of total seats of the Board of Directors. Each independent director meets the independence criteria, and does not have any relationship set out in Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act. with other board members.

(II) Information on President, Vice President and Assistant Vice President, and the Head of all the Company's Divisions and Branch

April 2, 2023

| Title | Nationality | Name | Gender | Date of assuming office | Shareholding | | Shareholding of spouse and minor children | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies | Managerial officers with spouses or relatives with second degree of kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| President | ROC | Yichuan Hsu | Male | 2013.06.28 | 1,820 | 0.00 | 0 | 0.00 | 0 | 0.00 | Graduated from Department of Accounting, National Chung Hsing University<br>Assistant Officer, Deloitte & Touche.<br>Section Manager, Hold-Key Electric Wire & Cable Co., Ltd.<br>Business Division, VP of the Company | Chairman,<br>Young Fast Optoelectronics (HK) Co., Ltd. | None | None | None | None |
| President, Electromechanical BG | ROC | Xinzheng Li | Male | 2006.06.22 | 452 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Electrical Engineering, Chien Hsin University of Science and Technology<br>Deputy plant manager, China Wire & Cable Co., Ltd. | Director and President, Hold-Key Electric Wire & Cable Co., Ltd.,<br>Director and President,<br>Taiwan SRU Co., Ltd<br>Chairman,<br>Muchon Farm Co., Ltd | None | None | None | None |
| Vice President | ROC | Fengyu Ho | Female | 2007.12.24 | 512 | 0.00 | 0 | 0.00 | 0 | 0.00 | Tulane University ,USA-MBA<br>Assistant VP,<br>E.sun Security Co., Ltd.<br>Assistant VP,<br>Masterlink Security Co.,<br>Supervisor, KPMG | Chairman,<br>Young Fast (SAMOA) Co., Ltd. | None | None | None | None |
| Vice President, Optoelectronic BG | ROC | Menggui Lin | Male | 2014.12.24 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Electrical Engineering, Chung Yuan Christian University<br>Senior Manager, Novatek Microelectronics Corp.<br>Senior Manager, Taiding Microelectronics Co., Ltd. | None | None | None | None | None |

April 2, 2023

| Title | Nationality | Name | Gender | Date of assuming office | Shareholding | | Shareholding of spouse and minor children | | Shareholding in the name of others | | Major educations and experiences | Concurrent positions in the Company and other companies | Managerial officers with spouses or relatives with second degree of kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Share-holding % | Number of shares | Share-holding % | Number of shares | Share-holding % | | | Title | Name | Relation | |
| Senior Assistant VP, Optoelectronic BG | ROC | Sechin Wu | Female | 2007.12.24 | 284 | 0.00 | 0 | 0.00 | 0 | 0.00 | Graduated from Department of Economics, Yuan Ze University<br>Production Supervisor, Farsonics Solid State Co., Ltd.<br>Supervisor, CJW International Co., Ltd. | None | None | None | None | None |
| Assistant VP, Optoelectronic BG | ROC | Hsunkuo Lee | Male | 2007.12.24 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Graduated from Chemical Engineering Department, Chien Hsin Engineering College<br>Foreman, Faithful Technology Co., Ltd. | Corporate Representative, Turn Young Optoelectronics (Huizhou) Co., Ltd. | None | None | None | None |
| Assistant VP, | ROC | Tehsiu Shen | Male | 2010.10.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | I-Shou University,MBA<br>Assistant manager, Esun Security Co., Ltd.<br>Junior Manager, Masterlink Security Co., Ltd. | None | None | None | None | None |
| Assistant VP, | ROC | Weiju Hsu | Female | 2021.07.15 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Accounting, Aletheia University<br>Manager, Deloitte & Touche. | None | None | None | None | None |
| Assistant VP, Electromechanical BG | ROC | Zongwei Zhu | Male | 2021.11.10 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Bachelor of Law, NTU College of LAW<br>Manager of the Global Customer Service Department, TFT-LCD Industry<br>Manager of the Business Department, INCLINE GLOBAL TECHNOLOGY SERVICES LIMITED. | None | None | None | None | None |

## III. Remuneration for Directors, President, Vice President and Assistant Vice President for the most recent year

### (I) Remuneration for Directors (Including Independent Directors)

Unit: Thousand NT$; shares; %

| Title | Name | Remuneration for directors | | | | | | | | A, B, C and D as a % of the net profits after tax | | Remuneration for employees with concurrent positions in the Company and other companies | | | | | | | | A, B, C, D, E, F and G as a % of the net profits after tax | | Remuneration from reinvested enterprises outside subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base remuneration (A) | | Severance and pension (B) | | Remuneration for directors (C) (Note) | | Business execution expenses (D) | | | | Remuneration, bonus, allowance (E) | | Severance and pension (F) | | Remuneration for employees (G)(Note) | | | | | | |
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | | All companies in the financial statements | | The Company | All companies in the financial statements | |
| | | | | | | | | | | | | | | | | Cash amoun | Stock amount | Cash amoun | Stock amount | | | |
| Chairman | Chihchiang Pai | 5,610 | 5,610 | | | 863 | 863 | | | 1.56% | 1.56% | 0 | 0 | | | | | | | 1.56% | 1.56% | |
| Director | Soy Young Enterprise Co., Ltd. | 0 | 0 | | | 700 | 700 | | | 0.17% | 0.17% | NA | NA | | | | | | | 0.17% | 0.17% | |
| | Representative: Shujuan Xu | | | | | | | | | | | 0 | 0 | | | | | | | | | |
| Director | Hold-Key Electric Wire & Cable Co., Ltd. | 0 | 0 | 0 | 0 | 700 | 700 | 0 | 0 | 0.17% | 0.17% | NA | NA | 0 | 0 | 0 | 0 | 0 | 0 | 0.17% | 0.17% | 0 |
| | Representative: Xinzheng Li | | | | | | | | | | | 4,318 | 4,318 | | | | | | | 1.04% | 1.04% | |
| Director | Yichuan Hsu | 0 | 0 | | | 700 | 700 | | | 0.17% | 0.17% | 4,957 | 4,957 | | | | | | | 1.36% | 1.36% | |
| Director | Fengyu Ho | 0 | 0 | | | 700 | 700 | | | 0.17% | 0.17% | 3,702 | 3,702 | | | | | | | 1.06% | 1.06% | |
| Director | Menggui Lin | 0 | 0 | | | 700 | 700 | | | 0.17% | 0.17% | 4,274 | 4,274 | | | | | | | 1.20% | 1.20% | |
| Independent director | Chengkun Kuo | 480 | 480 | 0 | 0 | 700 | 700 | 10 | 10 | 0.29% | 0.29% | | | | | | | | | 0.29% | 0.29% | |
| Independent director | Wenxiu Zhang | 480 | 480 | 0 | 0 | 700 | 700 | 60 | 60 | 0.30% | 0.30% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.30% | 0.30% | 0 |
| Independent director | Xiege Hao | 480 | 480 | 0 | 0 | 700 | 700 | 60 | 60 | 0.30% | 0.30% | | | | | | | | | 0.30% | 0.30% | |

1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: Handled in accordance with the provisions of the Company's Measures for the Administration of Remuneration of Directors, Functional Committee Members and Managers. Independent directors may receive a fixed remuneration of NT$40,000 per month during their terms of office as well as NT$10,000 per trip in attending the Board of Directors. Remuneration of directors is based on factors such as tenure and responsibilities, and is submitted to the Remuneration Committee and the Board of Directors for approval.
2. Except as disclosed above, the remuneration for the directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.

Note : Approved by the Board of Directors on April 19, 2023 to distribute director remuneration of NT$6,463 thousand; employee remuneration of NT$8,636 thousand is estimated based on the distribution ratio of 2022.

| Remuneration ranges for the directors of the Company | Director’s name | | | |
|---|---|---|---|---|
| | Total amount of the first four remunerations (A+B+C+D) | | Total amount of the first seven remunerations (A+B+C+D+E+F+G) | |
| | The Company | All companies in the financial statements(I) | The Company | All companies in the financial statements (J) |
| Less than NT$1,000,000 | Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, | Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, | Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd. , | Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd. , |
| NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive) | Wenxiu Zhang , Chengkun Kuo, Xiege Hao | Wenxiu Zhang , Chengkun Kuo, Xiege Hao | Wenxiu Zhang , Chengkun Kuo, Xiege Ha | Wenxiu Zhang , Chengkun Kuo, Xiege Ha |
| NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive) | N/A | N/A | N/A | N/A |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive) | N/A | N/A | Fengyu Ho, Menggui Lin | Fengyu Ho, Menggui Lin |
| NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive) | Chihchiang Pai | Chihchiang Pai | Chihchiang Pai, Yichuan Hsu | Chihchiang Pai, Yichuan Hsu |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive) | N/A | N/A | N/A | N/A |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive) | N/A | N/A | N/A | N/A |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive) | N/A | N/A | N/A | N/A |
| NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive) | N/A | N/A | N/A | N/A |
| More than NT$100,000,000 | N/A | N/A | N/A | N/A |
| Total | Chihchiang Pai , Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, Wenxiu Zhang , Chengkun Kuo, Xiege Hao | Chihchiang Pai , Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, Wenxiu Zhang , Chengkun Kuo, Xiege Hao | Chihchiang Pai , Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, Wenxiu Zhang , Chengkun Kuo, Xiege Hao | Chihchiang Pai , Soy Young Enterprise Co., Ltd., Hold-Key Electric Wire & Cable Co., Ltd., Yichuan Hsu, Fengyu Ho, Menggui Lin, Wenxiu Zhang , Chengkun Kuo, Xiege Hao |

## (II) Remuneration of the President and Vice President

Unit: Thousand NT$%

| Title | Name | Salary (A) | | Severance and pension (B) | | Bonus and Allowance (C) | | Amount of employee remuneration (D) (註 1) | | | | A, B, C and D as a % of the net profits after tax (%) | | Remuneration from reinvested enterprises outside subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | | All companies in the financial statements | | The Company | All companies in the financial statements | |
| | | | | | | | | Cash amoun | Stock amount | Cash amoun | Stock amount | | | |
| President | Yichuan Hsu | 2,397 | 2,397 | 0 | 0 | 2,560 | 2,560 | 0 | 0 | 0 | 0 | 1.19% | 1.19% | 0 |
| President | Xinzheng Li | 1,018 | 1,018 | 0 | 0 | 3,300 | 3,300 | 0 | 0 | 0 | 0 | 1.04% | 1.04% | 0 |
| Vice President | Fengyu Ho | 1,862 | 1,862 | 0 | 0 | 1,840 | 1,840 | 0 | 0 | 0 | 0 | 0.89% | 0.89% | 0 |
| Vice President | Menggui Lin | 1,604 | 1,604 | 0 | 0 | 2,670 | 2,670 | 0 | 0 | 0 | 0 | 1.03% | 1.03% | 0 |

Note : Approved by the Board of Directors on April 19, 2023 to distribute employee remuneration of NT$8,636 thousand is estimated based on the distribution ratio of 2022.

| Remuneration Ranges for President and Vice President of the Company | Name of President and Vice President | |
|---|---|---|
| | The Company | All Companies in the Financial Statements（E） |
| Less than NT$1,000,000 | N/A | N/A |
| NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive) | N/A | N/A |
| NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive) | N/A | N/A |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive) | Yichuan Hsu, Xinzheng Li, Fengyu Ho Menggui Lin | Yichuan Hsu, Xinzheng Li, Fengyu Ho Menggui Lin |
| NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive) | N/A | N/A |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive) | N/A | N/A |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive) | N/A | N/A |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive) | N/A | N/A |
| NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive) | N/A | N/A |
| More than NT$100,000,000 | N/A | N/A |
| Total | Yichuan Hsu, Xinzheng Li, Fengyu Ho , Menggui Lin | Yichuan Hsu, Xinzheng Li, Fengyu Ho , Menggui Lin |

Name of Managerial Officers and the Distribution of Employee Bonus

Dec 31, 2022

Unit: Thousand NT$ ;%

| | Title | Name | Stock amount | Cash amount (Note1) | Total | Total as a % of the net profits after tax (%) |
|---|---|---|---|---|---|---|
| Officer | President | Yichuan Hsu | 0 | 0 | 0 | 0 |
| | President , Electromechanical BG | Xinzheng Li | | | | |
| | Vice President | Fengyu Ho | | | | |
| | Vice President | Menggui Lin | | | | |
| | Senior Assistant Vice President, Optoelectronic BG | Sechin Wu | | | | |
| | Assistant Vice President, Optoelectronic BG | Hsunkuo Lee | | | | |
| | Assistant Vice President, | Tehsiu Shen | | | | |
| | Assistant Vice President, Electromechanical BG | Zongwei Zhu | | | | |
| | Assistant Vice President, | Weiju Hsu | | | | |

Note 1: Approved by the Board of Directors on April 19, 2023 to distribute employee remuneration of NT$8,636 thousand is estimated based on the distribution ratio of 2022.

(III) Compare and The Total Remuneration Paid to Directors, President and Vice President the most recent 2 years by the Company and All Companies in the Consolidated Financial Statements as a % of the Net Profits After Tax, and Explain the Policies, Criteria, Combination, the Procedures for Determining Remuneration and the Correlation to Operating Performances and Future Risks

1. Analysis of the Total Remuneration Paid to the Directors, Supervisors, President and Vice President by the Company as a % of the net profits after tax for the most recent 2 years

Unit: Thousand NT$

| Year / Item | 2021 | | 2022 | |
|---|---|---|---|---|
| | The Company | All Companies in the Financial Statements | The Company | All Companies in the Financial Statements |
| The remuneration for directors | 10,910 | 10,910 | 13,643 | 13,643 |
| The remuneration for directors as a % of the net profits after tax for the most recent 2 years | 3.90% | 3.90% | 3.28% | 3.18% |
| The remuneration for supervisors | 0 | 0 | 0 | 0 |
| The remuneration for supervisors as a % of the net profits after tax for the most recent 2 years | 0 | 0 | 0 | 0 |
| The remuneration for president and vice president | 15,882 | 15,882 | 17,251 | 17,251 |
| The remuneration for president and vice president as a % of the net profits after tax for the most recent 2 years | 5.68% | 5.68% | 4.15% | 4.15% |

Note : Approved by the Board of Directors on April 19, 2023 to distribute director remuneration of NT$6,463 thousand; employee remuneration of NT$8,636 thousand is estimated based on the distribution ratio of 2022.

2. The Company's Policy, Criteria, and Combination of the Remuneration for Directors, Supervisors, President and Vice President, the Procedures for Determining Remuneration and the Correlation to Operating Performances and Future Risks.

(1) Directors and Supervisors

In accordance with Article 24 of the Company's Articles of Incorporation, no more than 1.5% of the profit of the current year should be allocated as the remuneration of directors and supervisors of the current year, and the Company's operating results and contributions to the Company's performance should be considered in giving reasonable remuneration. The remuneration of directors and supervisors shall be proposed by the Remuneration Committee and shall be dealt with after discussion and approval by the Board of Directors.

(2) President and Vice President

Remuneration of the president and vice president of the Company includes salaries, bonuses, employee compensation, and so on. Every year, the Remuneration Committee shall reach agreement based on positions, responsibilities and contributions to the Company and shall consider industry standards. After discussion, implementation shall be proposed after gaining the approval of the Board of Directors.

Procedures for determining remuneration are based on the Company's Measures for the Administration of Remuneration of Directors, Functional Committee Members and Managers. Reasonable remuneration will be given not only in reference to the overall operating performance of the Company and the future business risks and development trends of the industry, but also in reference to an individual's performance achievement rate and contribution to the Company's performance. Relevant performance appraisals and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors and may be reviewed at any time in accordance with actual operating conditions and relevant laws and regulations, so as to meet the Company's goals of sustainable operations and balanced risk controls.

## IV. The Company's Implementation of Corporate Governance

(I) The operations of the Board of Directors

1.The Board of Directors held 5(A) meetings in the most recent year, and the attendance of directors and supervisors is as follows:

| Title | Name | Number of attendance in person (B) | Number of attendance by proxy | ttendance in person 〔B/A〕 | Note |
|---|---|---|---|---|---|
| Chairperson | Chihchiang Pai | 5 | 0 | 100% | |
| Director | Soy Young Enterprise Co., Ltd. Representative: Shujuan Xu | 5 | 0 | 100% | |
| Director | Hold-Key Electric Wire & Cable Co., Ltd. Representative: Xinzheng Li | 5 | 0 | 100% | |
| Director | Yichuan Hsu | 5 | 0 | 100% | |
| Director | Fengyu Ho | 4 | 1 | 80% | |
| Director | Menggui Lin | 5 | 0 | 100% | |
| Independent director | Chengkun Kuo | 1 | 0 | 20% | For health reason |
| Independent director | Wenxiu Zhang | 5 | 0 | 100% | |
| Independent director | Xiege Hao | 5 | 0 | 100% | |

2. Evaluation of Targets for Strengthening of the Functions of the Board during the Current and Immediately Preceding Fiscal Years, and Measures Taken Toward Achievement thereof.

(1) The Board of Directors of the Company has approved the Ethical Code of Conduct, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Corporate Social Responsibility Best Practice Principles, Standard Operating

Procedures for Handling Directors' Requests, and so on in order to strengthen the functions of the Board of Directors and improve the transparency of information.

(2) On August 13, 2013, the Board of Directors of the Company approved the Board of Directors Performance Evaluation Measures. The results of the Board of Directors performance evaluation for 2022 was reported to the Board of Directors on Feb. 23, 2023. In addition, please refer to the web page at www.yfo.com.tw/Investor Center/Corporate Governance/Board of Directors Performance Evaluation Measures for the Board of Directors Performance Evaluation Measures and the assessment results for 2022.

(3) The Company follows the Regulations Governing Procedure for Board of Directors Meetings of Public Companies to formulate meeting procedures for the Company's Board of Directors. It also discloses the attendance of directors at the Board of Directors on the Market Post Observation System and it discloses important resolutions of the Board of Directors and information on the selection and appointment of independent directors on the Company's website. All are related measures taken by the Company in attaching importance to corporate governance.

(4) The Audit Committee of the Company was established on June 30, 2020.

3. Other matters to be recorded

(1) Matters listed in Article 14-3 of the Securities and Exchange Act and other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: All proposals were passed without objection as follows:

A. Matters listed in Article 14-3 of the Securities and Exchange Act:

| Date Term | Proposal Content | Independent Directors' Opinions& The Company's Handling of Their Opinions |
|---|---|---|
| 2022.3.11<br>8th term - 7th session | 1. Approved amendment of some provisions of the Company's Procedures for the Acquisition or Disposal of Assets.<br>2. Approved the assessment of the effectiveness of the internal control system completed by the Company in 2021 and issued an "Internal Control Statement."<br>3. Approved assessment and appointment remuneration of the competency and independence of CPAs<br>4. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>5. Passed the proposal to sign a lease contract for buildings and parking lots with the related party Hold-key Electric Wire & Cable Co., Ltd.<br>6. Passed the proposal to conduct a follow-on offering for Young Fast (SAMOA) Co., Ltd.. | All Independent directors: Passed without objection |
| 2022.5.11<br>9th term - 7th session | 1. Approved evaluation of whether the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>2. Approved the proposal to conduct a capital reduction for the | All Independent directors: Passed without objection |

| Date Term | Proposal Content | Independent Directors' Opinions& The Company's Handling of Their Opinions |
|---|---|---|
| | Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses. | |
| 2022.8.10<br>10th term - 7th session | 1. Approved early termination of the Company's lending of funds.<br>2. Approved evaluation of whether the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>3. Approved the proposal to conduct a capital reduction for the Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses. | All Independent directors: Passed without objection |
| 2022.11.9<br>11th term - 7th session | 1. Approved the Company's 2023 audit plan.<br>2. Approved early termination of Young Fast Optoelectronics (H.K.) Co., Ltd. lending of funds.<br>3. Approved evaluation of whether the Company has engaged in lending of funds in hidden form. | All Independent directors: Passed without objection |
| 2022.12.21<br>12th term - 7th session | Approved the proposal on the capital expenditure of the Company's Electromechanical Business Group. | All Independent directors: Passed without objection |

B. In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.

(2) In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated：On March 11, 2022, the Board of Directors of the Company discussed the proposal to rent a plant and a parking lot from HOLD-KEY, a related party of the Company. Since HOLD-KEY is the Company's director, thus an interested party, representatives of HOLD-KEY all recused themselves from the discussion and voting of this proposal.；On May 11, 2022, the Board of Directors of the Company discussed the remuneration of directors and supervisors; and on August 10, 2022, the Board of Directors discussed the allocation of performance bonuses to the Company's managers. Due to the status of some directors and managers, when discussing and voting on the relevant proposals, directors who have an interest in the discussion and voting shall, respectively, abstain from the discussion and voting.

(3) Evaluation of the Board of Directors

| Evaluation Frequency | Evaluation Period | Evaluation Scope | Evaluation Method/Score | Evaluation Content |
|---|---|---|---|---|
| Once a year | 2022/1/1~ 2022/12/31 | The operations of the Board of Directors | Internal self-evaluation (Questionary)of the board /96 | 1. The extent of participation in the Company's operations.<br>2. Improvement in the quality of the board's decision-making.<br>3. Composition and structure of the board.<br>4. Election and continuing education of directors.<br>5. Internal control |
| | | Performance evaluation of individual board members | Internal self-evaluation (Questionary)of the board members /92.89 | 1. Mastery of the Company's objectives and tasks.<br>2. Perception of directors' responsibilities.<br>3. The extent of participation in the Company's operations.<br>4. Internal relationship management and communication.<br>5. Professionalism and continuing education of directors.<br>6. Internal control |
| | | The operations of the functional committees | Internal self-evaluation (Questionary) of functional committees /90.77 | 1. The extent of participation in the Company's operations.<br>2. Perception of functional committees' responsibilities.<br>3. Improvement in the quality of the functional committee's decision-making.<br>4. Composition and member appointment of functional committees.<br>5. Internal control |

(II) The Operations of the Audit Committee

1. The Audit Committee established on 2020.06.30 and held 5 meetings (A) in the most recent year, and the attendance of independent directors is as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance by Proxy | % of Attendance in Person 〔B/A〕 | Remark |
|---|---|---|---|---|---|
| Independent director (Convener) | Wenxiu Zhang | 5 | 0 | 100% | None |
| Independent director | Chengkun Kuo | 1 | 0 | 20% | For health reason |
| Independent director | Xiege Hao | 5 | 0 | 100% | None |

2. Other matters to be recorded:

A. Working priorities of the Audit Committee

The Audit Committee of the Company consists of three independent directors. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight of the quality and integrity of the Company's implementation of accounting, auditing, financial reporting processes and financial controls.

Matters reviewed by the Audit Committee primarily include:

(A) Financial statement audits and accounting policies and procedures

(B) Internal control systems and related policies and procedures

(C) Significant asset or derivative transactions

(D) Material loans of funds, endorsements or guarantees.

(E) Offers or issues of securities
(F) Derivative financial products and cash investments
(G) Regulatory compliance
(H) Whether managers and directors have related party transactions and possible conflicts of interest
(I) Qualifications, independence, and performance measurement of certified public accountants
(J) Appointment, dismissal or remuneration of certified public accountants
(K) Appointment and removal of financial, accounting or internal audit supervisors
(L) Performance of the Audit Committee's responsibilities

B. If the operation of the Audit Committee is under any of the following circumstances, the date, period, proposal content, resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions should be described:

(A) The state of the operations and matters listed in Article 14-5 of the Securities and Exchange Act:

| Date | Proposal Content | Independent Director's Opinions or Suggestion | Audit Committee's Opinions& the Company's Handling of the Audit Committee's Opinions |
|---|---|---|---|
| 2022.3.11 | 1. Approved the Company's 2021 financial statements and consolidated financial statements<br>2. Approved amendment of some provisions of the Company's Procedures for the Acquisition or Disposal of Assets.<br>3. Approved the assessment of the effectiveness of the internal control system completed by the Company in 2021 and issued an "Internal Control Statement."<br>4. Approved assessment and appointment remuneration of the competency and independence of CPAs<br>5. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>6. Passed the proposal to sign a lease contract for buildings and parking lots with the related party Hold-key Electric Wire & Cable Co., Ltd.<br>7. Passed the proposal to conduct a follow-on offering for Young Fast (SAMOA) Co., Ltd... | None | Passed without objection |
| 2022.5.11 | 1. Approved evaluation of whether the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>2. Approved the proposal to conduct a capital reduction for the Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses. | None | Passed without objection |

| Date | Proposal Content | Independent Director's Opinions or Suggestion | Audit Committee's Opinions& the Company's Handling of the Audit Committee's Opinions |
|---|---|---|---|
| 2022.8.10 | 1. Approved early termination of the Company's lending of funds.<br>2. Approved evaluation of whether the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>3. Approved the proposal to conduct a capital reduction for the Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses. | None | Passed without objection |
| 2022.11.9 | 1. Approved the Company's 2023 audit plan.<br>2. Approved early termination of Young Fast Optoelectronics (H.K.) Co., Ltd. lending of funds.<br>3. Approved evaluation of whether the Company has engaged in lending of funds in hidden form.. | None | Passed without objection |
| 2022.12.21 | Approved the proposal on the capital expenditure of the Company's Electromechanical Business Group. | None | Passed without objection |

(B) In addition to the previous matters, other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: None.

C. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated: No such situation.

D. Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):

(A) The Audit Office regularly delivers monthly audit reports to independent directors for approval. The independent directors will communicate with the Audit Supervisor from time to time regarding the audit report and give suggestions.

(B) The Audit Supervisor regularly attends meetings of the Audit Committee and the Board of Directors of the Company and also makes audit business reports and communicates with independent directors.

(C) Accountants regularly communicate with the independent directors at meetings on governance matters on matters that come to their attention in performing audits or reviews of the financial statements.

(D) The Company discloses communications between independent directors, accountants and audit supervisors on the Company's website/investor center.

(III) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"? | ✓ | | The Company has formulated a set of corporate governance practice principles and disclosed it on the home page of the Company website/Investor Relations/Corporate Governance/Practice Principles for Corporate Governance. | There is no difference from the spirit of the principles. |
| II. The Company's equity structure and shareholder equity<br>(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?<br>(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?<br>(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?<br>(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market? | ✓ | | (I) The Company has a spokesperson who is responsible for handling shareholders' recommendations, doubts, disputes and litigation matters.<br>(II) In addition to collecting relevant information on the Internet, the Company's major corporate shareholders regularly provide lists of their major shareholders.<br>(III) The Company and its affiliated companies have implemented an internal control system and relevant rules and measures to reduce operational risks, and have established a firewall mechanism.<br>(IV) The Company has established internal major information processing procedures and it regularly disseminates information to insiders to avoid accidental infringement of related laws and regulations such as insider trading. | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| III. Composition and responsibilities of the Board of Directors<br><br>(I) Has the Board of Directors formulated diversity policies, specific management objectives and corresponding implementation?<br>(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?<br>(III) Whether the Company has formulated board performance evaluation measures and methods, conducts performance evaluations annually and regularly, and reports the results of performance evaluations to the Board of Directors, and uses them as a reference for individual directors' remuneration and nomination for reappointment?<br>(IV) Does the Company regularly evaluate the independence of the attesting CPA? | ✓ | | (I) The Company has established a policy of diversity in the composition of members in the selection process of directors and supervisors, currently without regard to gender, religion, age and so on and having their own expertise in industry matters, marketing, accounting, finance, law, technology and so on. The diversity of members of the seventh session of the Board of Directors of the Company is shown in Table 1 on P.21.<br>Among the nine directors, 33% are directors with employee status, 33% are independent directors, and 22% are female directors. Nine out of nine directors have expertise in business management and leadership decision-making; seven out of nine have industry knowledge; three out of nine have majored in financial accounting; one out of nine has majored in legal affairs; two out of nine have majored in technology and environmental protection; and two out of nine have majored in marketing. The Company pays attention to gender equality in the composition of the Board of Directors: the target for the ratio of female directors is 30% or more. We expect to nominate several female independent directors at the 8th Board meeting to achieve this goal. Relevant diversification policies and their implementation are disclosed | Except for other functional committees that have not been established, all are handled in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and there are no major differences. |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | on the Company's website and in its annual report.<br>(II) The Company has set up a Remuneration Committee and an Audit Committee and will set up other functional committees in the future depending on actual operating needs.<br>(III) The Company has established its Board of Directors Performance Evaluation Measures. The overall performance self-assessment of the Board of Directors of the Company covers the following five aspects:<br>1. Degree of participation in Company operations<br>2. Improving the quality of board decisions<br>3. Board composition and structure<br>4. Selection and continuous training of directors<br>5. Internal control<br>Board member performance evaluation measurement items should cover at least the following six aspects:<br>1. Mastering the Company's goals and tasks<br>2. Awareness of directors' responsibilities<br>3. Degree of participation in Company operations<br>4. Internal relationship management and communication<br>5. Directors’ professional and continuous education<br>6. Internal control | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | The Company issues a questionnaire every year based on the Board of Directors Performance Evaluation Measures. After all the questionnaires are collected, the results will be reported to the Board of Directors and improvement suggestions will be put forward for areas that can be strengthened.<br>The results of the performance evaluation for 2022 for the Board of Directors and the Remuneration and Audit Committees were reported to the Board of Directors on Feb. 23, 2023. The overall operations of the Board of Directors and the Remuneration Committee were still good. Please refer to the web page at www.yfo.com.tw/Investor Center/Corporate Governance/Board of Directors Performance Evaluation Measures for the Board of Directors Performance Evaluation Measures and the assessment results for 2022.<br>The Company refers to the performance evaluation results of directors every year as a reference for remuneration payments and for nominations of directors and supervisors.<br>(IV) The Company regularly evaluates the independence and competency of CPAs every year. (Assessment items include self-interest, self-assessment, arguments in defense, familiarity, coercion, certification period not exceeding seven years, and so on.). In addition, | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | the accounting firm issues a statement of independence and Provide audit quality indicators (AQIs) to the company for evaluation that is approved after the first Audit Committee and Board of Directors discussion of each year. For 2023, the Audit Committee and Board of Directors of the Company passed the assessment of the independence and competency of CPAs on Feb. 23, 2023. | |
| IV. Does the Company have suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)? | ✓ | | The Company's CSR team serves as a full-time corporate governance unit. The CSR team is led by Ho Feng-Yu, Assistant general manager of the Management Office, who is responsible for coordinating corporate governance-related affairs. Furthermore, on March 27, 2019, the Board of Directors approved the standard operating procedures for handling directors' requests. Among these procedures, Article 5 stipulates that the director of the Management Office shall be responsible for handling the requests of directors so as to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Assistant general manager Ho has more than 20 years of management experience in financial, legal and stock management of public offering companies. The main responsibilities of the CSR team members are to provide directors and supervisors with the information they need to | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | execute their business, assist directors and supervisors in complying with laws and regulations and handle matters related to the Board of Directors and shareholders' meetings in accordance with the law.<br>Business implementation in 2022 was as follows:<br>I. Assisted independent directors and ordinary directors in performing their duties, providing required information and arranging for further education for directors:<br>(I) Regularly reported to the Board of Directors on the latest revisions and development of laws and regulations related to the Company's areas of business and corporate governance.<br>(II) In accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, independent directors and supervisors regularly arranged meetings with the internal Audit Supervisor and with CPAs to understand the company's financial business status.<br>(III) Assisted in arranging annual training programs and courses for independent directors and ordinary directors.<br>II. Assisted in compliance with the procedures | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | and resolutions of the Board of Directors and shareholder meetings:<br>(I) Regularly reported the Company's corporate governance operations to the Board of Directors to confirm whether the Company's shareholders' meetings and Board of Directors meetings were in compliance with relevant laws and corporate governance codes.<br>(II) Assisted and reminded directors of laws and regulations to be complied with when conducting business or making formal resolutions of the Board of Directors, and put forward suggestions when the Board of Directors would make resolutions contrary to the law.<br>(III) Took post-meeting responsibility for reviewing the release of important information on important resolutions of the Board of Directors to ensure the legality and correctness of the reposted content to ensure the equality of investor trading information.<br>III. Maintained investor relations: arranged corporate briefings as needed, with the management team communicating and exchanging information with institutional | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | investors or ordinary shareholders so that investors could obtain sufficient information and so that shareholders' rights and interests were well maintained.<br>IV. Drew up the agenda of the Board of Directors, notified the directors seven days in advance, convened meetings, and provided meeting materials; if recusals were necessitated by interests at stake, reminders were to be given in advance; and the minutes of Board of Directors meetings were to be completed within 20 days after a meeting.<br>V. Handled the pre-registration of the dates of shareholders' meetings in accordance with the law; prepared meeting notices, meeting manuals and minutes within the statutory time limits; and handled the registration of changes in amendments to the Articles of Association or for the elections of directors. | |
| V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders? | ✓ | | The Company has set up a stakeholder area, an investor center and contact information on the Company's website to appropriately respond to important corporate social responsibility issues of concern to stakeholders as shown in Table 2. | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings? | ✓ | | The Company entrusts the Stock Agency Department of Concord Securities to handle matters connected to the Shareholders' Meeting. | There is no difference from the spirit of the principles. |
| VII. Information Disclosure<br>(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?<br>(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?<br>(III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline? | ✓ | | (I) The Company has set up a website and relevant company information will continue to be disclosed. In addition, the Market Observation Post System can be inquired regarding the Company's related financial business and corporate governance information.<br>(II) The Company has dedicated personnel responsible for the collection of relevant information, the disclosure of major Company events and the implementation of the spokesperson system.<br>(III) The Company has not yet announced and declared its annual financial report within two months after the end of the fiscal year for 2021 and announced and declared the first, second and third quarter financial reports and the monthly operating situation before the specified deadlines. This schedule will be taken as a goal for the future. | Aside from the Company's inability due to its work schedule to announce and declare its annual financial reports within two months after the end of the fiscal year, and to announce and declare the first, second, and third quarter financial reports and the monthly operating situation before the specified deadlines, other items have been completed. These shall be handled in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. |
| VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing | ✓ | | (I) Implementation of employee rights and employee care: the Company offers employee group insurance (including allowed participation of employee dependents, spouses, and immediate family members and encompassing accident insurance, accident | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| education of directors and supervisors, Implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company’s purchase of liability insurance for directors and supervisors, etc.)? | | | medical insurance, hospital medical insurance and so on) as well as employee health checks, year-end bonuses and employee stock subscription dividends. In addition, a staff restaurant is set up in Guanyin No. 3 Factory and serves Chinese food or dinner for free and the space of the adjacent factory is rented as a staff parking lot. Separately, the Company employee welfare committee to coordinate various welfare matters for employees, including annual travel, subsidies for weddings and funerals, maternity subsidies, gifts for three festivals, gifts for birthdays and arrangements for festivals activities.<br>(II) Implementation status of investor relations, supplier relations and rights of stakeholders: with the protection of shareholders’ rights and interests as its paramount goal, the Company immediately announces major Company information such as financial matters, business and insider shareholding changes on the Market Observation Post System in accordance with the regulations. At the same time, the Company has spokespersons, acting spokespersons and the Company's stock agency (Concord Securities Co., Ltd. Stock Agency Department) to provide shareholders and investors with information on relevant issues for the Company. There is also a Supplier Management Program, through which | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | appropriate supplier management operations are handled. In addition to maintaining the quality of procurement, it also establishes close working relationships. Separately, the Company requires suppliers to sign a statement of ethics and integrity, and requires them to use conflict-free minerals as well as adhering to specifications mandated by RBA (CSR) requirements. At the same time, there are Transaction Procedures for Specific Group Companies and Related Parties to be followed in transactions involving specific companies or related parties in order to protect the rights and interests of the Company, its shareholders, and relevant stakeholders.<br>(III) Continuing education of directors and supervisors: the Company encourages directors and supervisors to actively participate in refresher courses. Directors and supervisors of the Company are required to study and report in accordance with the law each year, in compliance with the provisions of the Main Points of Advanced Training Implementation for Directors of Listed Companies. For detailed information on the training of directors and supervisors, please refer to Appendix 3 or go to the Corporate Governance section of the Market Observation Post System.<br>(IV) Implementation of risk management policies and risk measurement standards: The Company | |

| Evaluation Items | The state of operations | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | yes | no | Summary description | |
| | | | has been aggressively implementing its risk management mechanism since 2021 under the supervision of the Board of Directors. The “Risk Management Policy and Procedures” was approved at the 7th meeting of the 7th Board of Directors on November 10, 2021. The state of implementation of risk management is reported annually at a Board of Directors’ meeting. The state of implementation of risk management in 2022 was already reported at the 11th meeting of the 7th Board of Directors on November 9, 2022.<br>(V) Implementation of customer policy: The Company maintains a stable and good relationships with customers to generate corporate profits.<br>(VI) The Company's purchase of professional liability insurance coverage for the directors and supervisors: the Company has purchased liability insurance for directors, supervisors and managers. | |
| IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved: The Company was ranked among the top 36%~50% in the 9th Corporate Governance Evaluation for 2022. | | | | |

Table 2

| Interest Party | Issue | Communication and Response | 2022Actual performance |
|---|---|---|---|
| Employees | ● Labor relations<br>● Occupational health and safety<br>● Non-discrimination<br>● Anti-corruption<br>● No forced labor<br>● Diversity and equal opportunity<br>● Compliance | Contact: Administrative Department personnel: Ms. Chang<br>EMAIL：YFO_HR@yfo.com.tw<br>TEL: (03)4833665#8128<br>● Regularly hold employer-employee meetings<br>● Arrange a health checkup or health consultation for employees every year<br>● Set up an employee suggestion box<br>● Publicize and announce the sexual harassment complaints filing channel. | 1. Held 4 employer-employee meetings in 2022.<br>2. Arranged a health checkup or health consultation for employees<br>3. Responded to employees' inquiry for about 45 times |
| Customers | ● Non-discrimination<br>● Anti-corruption<br>● No forced labor<br>● Diversity and equal opportunity<br>● Compliance<br>● Customer privacy<br>● Labor relations<br>● Occupational health and safety | Contact: Sales Department: Ms. Chang<br>EMAIL：service@yfo.com.tw<br>TEL: (03)4833665#8606<br>● Be cooperative with customers in terms of their product or environment requirements or audit, and assist in prevention and continuous improvement.<br>● Attend technology seminars at irregular intervals<br>● Comply with information disclosure requirements; hold education and training on confidentiality. | 1. Cooperated with customers on audit for at least 1 times.<br>2. Signed 3 NDA with new customers in 2022. |
| Suppliers and Contractors | ● Market Presence<br>● Compliance<br>● Non-discrimination<br>● Anti-corruption<br>● No forced labor<br>● Diversity and equal opportunity<br>● Supplier employee assessment<br>● Labor relations<br>● Occupational health and safety | Contact: Administrative Department general affairs personnel: Mr. Guo<br>EMAIL：service@yfo.com.tw<br>TEL: (03)4833665#8115<br>● Sign Contractor Environment, Health, and Safety Undertakings<br>● Publicize and sign Ethics and Integrity Declarations<br>● Annual audit conducted on suppliers and contractors | 1. Signed 10 Contractor Environment, Health, and Safety Undertakings in 2022.<br>2. Signed 11 Ethics and Integrity Declarations. |
| Investors | ● Market Presence<br>● Business Performance<br>● Compliance<br>● Investment<br>● Labor relations<br>● Customer relation and supplier relation<br>● Occupational health and safety<br>● Environment | Contact: Spokesperson Assistant general manager: Ho Feng-Yo<br>EMAIL：3622@yfo.com.tw<br>TEL:(02)23970585<br>● Annual Shareholders' Meeting<br>● Non-periodic investor conference<br>● Regularly disclose financial statements and related operating information<br>● Material information is disclosed on the Market Observation Post System (MOPS) | 1. Held an investor conference for the first time in 2022.<br>2. Disclosed 19 pieces of material information in 2022.<br>3. Responded to the messages left by shareholders or journalists for about |

| Interest Party | Issue | Communication and Response | 2022Actual performance |
|---|---|---|---|
| | assessment | and, if required, in the form of a press release or at a press conference.<br>● Disclose email and phone number on the Company's website to provide a smooth communication channel between investors and the Company. | 35 times. |
| community | ● Labor relations<br>● Compliance<br>● Environment assessment<br>● Occupational health and safety<br>● Market presence<br>● Diversity and equal opportunity<br>● Non-discrimination<br>● Anti-corruption<br>● No forced labor | Contact: Administrative Department general affairs personnel: Mr. Guo<br>EMAIL：3622@yfo.com.tw<br>TEL: (03)4833665#8115<br>● Periodically participate in community activities<br>● Regularly attend the various dissemination meetings held by the Bureau of Industrial Park | 1. Attended the 5 dissemination meetings held by the Bureau of Industrial Park<br>2. Sponsored the Caota Fire Brigade and the Volunteer Firefighter Squad of the Fire Agency for their Year-end Evening Party for Annual Review and Fire Prevention Dissemination |

Table 3 Continuing education of directors 2022

| Name | Date | Organizer | Course | Hours |
|---|---|---|---|---|
| Chihchiang Pai | 2022/09/29 | Taiwan Stock Exchange Corporation | The Promulgation of the "Guidelines for Exercising Powers by Independent Directors and the Audit Committee" and the Awareness Session for Directors and Supervisors | 3 |
| | 2022/10/05 | Securities & Futures Institute | The 2022 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| Yichuan Hsu | 2022/10/11 | Taiwan Stock Exchange Corporation | | 3 |
| | 2022/10/19 | Securities & Futures Institute | The 2022 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| Soy Young Enterprise Co., Ltd. Representative: Shujuan Xu | 2022/10/19 | Securities & Futures Institute | The 2022 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| | 2022/11/24 | | A Company's Fight over the Management Rights and an Introduction to the Commercial Case Adjudication Act | 3 |
| Fengyu Ho | 2022/10/05 | Securities & Futures Institute | The 2022 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| | 2022/12/08 | | Protection of Trade Secrets | 3 |
| Menggui Lin | 2022/10/05 | Securities & Futures Institute | The 2022 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| | 2022/11/11 | | Derivative Trading Strategy and Market Outlook Seminar | 3 |
| Hold-Key Electric Wire & Cable Co., Ltd. Representative: Xinzheng Li | 2022/09/20 | Taiwan Corporate Governance Association | On Forging an Enterprise's Sustainability Competitiveness | 3 |
| | | | Risks and Opportunities of Intellectual Property Facing a Company under the Metaverse Business World | 3 |

| Name | Date | Organizer | Course | Hours |
|---|---|---|---|---|
| Wenxiu Zhang | 2022/09/13 | Securities & Futures Institute | Risks and Opportunities of Intellectual Property Facing a Company under the Metaverse Business World | 3 |
| | 2022/09/20 | Taiwan Corporate Governance Association | 10 Lessons in Corporate Governance | 3 |
| Xiege Hao | 2022/10/12 | Securities & Futures Institute | The 2021 Dissemination Meeting for Legal Compliance When Engaging in an Insider Equity Transaction | 3 |
| | 2022/12/08 | | Protection of Trade Secrets | 3 |

(IV)If the Company has a remuneration committee, it should disclose its composition, responsibilities and operations:

1. Information on the numbers of the Remuneration Committee

| Position \ Criteria \ Name | | work experience and professional qualifications | independence criteria | Concurrently employed by other public company Number of remuneration committee |
|---|---|---|---|---|
| Independent Director /Convener | Chengkun Kuo | Please refer to page14-16 and page18-20 | | 0 |
| Independent Director | Wenxiu Zhang | | | 1 |
| Independent Director | Xiege Hao | | | 0 |

2. Information on the operations of the Remuneration Committee

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

(2) The term of office of the current members: June 30, 2020 to June 29, 2023, with 3 (A)meetings in the most recent year of 2022.

| Title | Name | Number of attendance in person (B) | Number of attendance by proxy | % of attendance in person(B/A) | Note |
|---|---|---|---|---|---|
| Convener | Chengkun Kuo | 0 | 0 | 100% | For health reason |
| Member | Wenxiu Zhang | 3 | 0 | 100% | None |
| Member | Xiege Hao | 3 | 0 | 100% | None |
| Other matters to be recorded:<br>I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, period, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): No such situation.<br>II. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, the opinions of all members, its handling of the members' opinions should be stated: No such situation. | | | | | |

(3) The opinions by the Remuneration Committee and the company’s handling of the Remuneration Committee’s opinions

| Date | Proposal content | opinions | The Company’s handling of the Remuneration Committee’s opinions |
|---|---|---|---|
| 2022.5.11 | 1. The Company's 2022 annual remuneration distribution plan for employees, directors and supervisors.<br>2. The Company's 2022 remuneration distribution for directors and supervisors. | Passed without objection | Passed without objection |
| 2022.8.10 | 1. Performance bonus distribution for managers of the Company. | Passed without objection | Passed without objection |
| 2022.11.09 | 1. Manager salaries adjustment | Passed without objection | Passed without objection |

3. Responsibilities of the Remuneration Committee: The Committee should faithfully perform the following duties with the attention of a good managerial officer and submit its recommendations to the Board of Directors for discussion.

(1) Formulate and regularly review policies, systems, standards and structures for annual and long-term performance objectives and remuneration for directors, supervisors and managerial officers of the Company.

(2) Regularly evaluate the achievement of the performance objectives of the Company's directors, supervisors and managerial officers, and determine the content and amount of their individual remuneration

(V) The fulfillment of Sustainable Development and the differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor:

<table>
<tr><th rowspan="2">Item promoted</th><th colspan="3">The state of operations</th><th rowspan="2">The differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters? How well is such a unit supervised by the board?</td><td>✓</td><td></td><td>The Company has established a CSR team under the Board of Directors, with the President being the person in overall charge and the head of the Administration Division being the person in executive charge. At the RBA Management Review Meeting each year, the CSR committee reviews the results of implementation of the planned sustainable development and ethical management and formulates the implementation direction and measures for the following year. The CSR team also periodically reports the implementation status to the Board of Directors. The results of implementing Sustainable Development (CSR) in 2022 have been reported to the Board of Directors meeting dated Feb. 23, 2023.</td><td>There is no difference from the spirit of the principles.</td></tr>
<tr><td>II. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</td><td>✓</td><td></td><td>The Company has formulated risk managemen policy or strategy respecting environmental, social and corporate governance, which is stated as follows<br><table><tr><th>Material topics</th><th>Risk evaluation items</th><th>Risk management policy or strategy</th></tr><tr><td>Environ-mental</td><td>Environmental Protection</td><td>The Company passed the ISO 14001 Environmental manage-ment systems IN 2009, and has since maintained its functioning in our operations.</td></tr></table></td><td>There is no difference from the spirit of the principles.</td></tr>
</table>

| Item promoted | The state of operations | | | | | The differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|---|---|
| | Yes | No | Summary description | | | |
| | | | | | The Company continues to launch several energy conservation and carbon reduction projects to improve our environmental performance.<br>The Company's policy for the environment and safety and health is as follows:<br>1. Abide by environmental/ safe-ty and health laws and regulations.<br>2. Continue to improve the quality of environment and safety and health.<br>3. Reduce environmental hazards and employee safety and health risks<br>4. Implement environment / safety and health education<br>5. Implement environment/safety and health consultation and communication.<br>6. Periodically review the effectiveness of systems operation | |
| | | | Social | Enterprise commitments | The Company continues to implement the various management policy of our safety and health policy and abides by laws and regulations, | |

<table>
<tr><th rowspan="2">Item promoted</th><th colspan="3">The state of operations</th><th rowspan="2">The differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td></td><td>to protect employees’ physical and mental health and implement industrial safety. The Company signed the human rights policy in 2018 to establish a friendly workplace.</td></tr><tr><td>Corporate governance</td><td>Compliance</td><td>The Company ensures the legal compliance of all of its staff and operations through establishing a Company governance organization and implementing the internal control system.</td></tr></table></td><td></td></tr>
<tr><td>III. Environmental Issues<br>(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?<br>(II) Is the Company committed to improving the efficiency of energy utilization and using recycled materials with low impact on the environment?<br>(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to related issues?<br>(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the</td><td>✓</td><td></td><td>The Company has set up the Occupational Health and Safety Office, which is in charge of matters respecting the Company’s occupational health and safety and environmental management. We have also obtained the ISO 14001 certificate. In 2022, we conducted our occupational health and safety operation in accordance with ISO45001.<br>In addition, the Company always attends to the latest changes in environment laws and occupational safety and health laws and international environmental protection trend in order to obtain a basis for the Company’s formulating our environment/occupational safety and health strategy. The Company has calculated the amount of greenhouse gas emission, water consumption, and waste production in the past two years and</td><td>There is no difference from the spirit of the principles.</td></tr>
</table>

| Item promoted | The state of operations | | | The differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management? | | | implemented policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production in the past two years. For details, refer to P.57-P.60. | |
| IV. Social Issues<br>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?<br>(II) Whether the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?<br>(III) Does the Company provide employees with a safe and healthy working environment, and related education?<br>(IV) Has the Company established an effective career development training program for employees?<br>(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and | ✓ | | (I) The Company ensures labors' legal rights by adhering to the Labor Standard Act and other relevant acts and, by referencing the International Bill of Human Rights, formulates our human rights policy and discloses the same on our website.<br>(II) The Company already has reasonable employee welfare measures (e.g., year-end bonus; employee group insurance; employee children scholarships; cash gifts for the three festivals; employee travel subsidies, and so on). Each year, the Company also distributes performance bonuses based on our profits and employees' individual performance.<br>(III) The Company has provided employees with a safe and healthy work environment, in that we implement an employee health checkup, work environment monitoring, and health education and dissemination every year, and that we promote employee health-promoting measures and health seminars in support of government | There is no difference from the spirit of the principles. |

| Item promoted | The state of operations | | | The differences from the Sustainable Development Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| labeling of products and services, and establish relevant customer rights protection policies and complaint procedures?<br>(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation? | | | policy. For details, refer to P.60-P.63 .<br>(IV) The Company arranges training programs tailored to employees' needs every year.<br>(V) Our products and services are not in direct contact with customers (i.e., we do not sell products or services directly to them). However, we will meet our clients' requirements in terms of customer privacy and product safety.<br>(VI) The Company already demanded that our suppliers sign the "Supplier Corporate Social Responsibility Undertaking" to show their commitment to abiding by the Company's policy, the RBA standard or their corporate social responsibility. | |
| V. Does the Company make reference to international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph? | | ✓ | The Company has yet to compile a Corporate Social Responsibility Report, nor has it obtained an assurance or guarantee from a third-party certification institution. | Not being legally required to compile a Corporate Social Responsibility Report or obtain an assurance or guarantee from a third-party certification institution, the Company decides not to do so temporarily after considerations. |
| VI. If the Company has related practice principles of its own in accordance with the " Sustainable Development Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: The Company's Board meeting dated March 25, 2015 passed the "Corporate Social Responsibility Best Practice Principles", which was renamed "Sustainable Development Best Practice Principles" on March 11, 2022, with some clauses amended. We have conducted our business by adhering to the spirit and regulations of such principles. | | | | |

VII. Other important information that is helpful to understand the implementation of Sustainable Development:

(I) Environmental management and implementation of energy conservation measures

1. Environmental Management System

To fulfill our corporate social responsibility and in doing so meet our environmental protection targets, we launched ISO -14001 Environmental Management System in 2009, which was transitioned to ISO14001:2015 by the Company in 2016 and officially certified in 2017 when the international community just began adopting such a new ISO standard. We have since then demonstrated our commitment to the system and continuous improvement, and in doing so facilitated employees' understanding and implementing our environmental protection policy. In addition, the Company obtained the EcoVadis Silver Medal for Corporate Social Responsibility in 2019.

(1) Greenhouse gas inventory and emission reduction targets and measures

To implement carbon reduction management, Young Fast inventories greenhouse gases every year in order to disclose to stakeholders our greenhouse gas management. The Company had aimed to reduce its carbon emissions in 2022 by 5% of its GHG emissions in 2021. However, since the Electromechanical Business Group completed plant expansion and reaped more revenue in 2022, emissions in 2022 were 1.25KG per thousand dollars of revenue, a mild reduction of 2.3% from 1.28KG per thousand dollars of revenue in 2021. Despite the failure to meet the set target, the reduction measures taken were deemed effective. Nonetheless, since the reduction measures have been implemented for years, they are expected to reduce emissions in the future. Therefore, the target of reduction in carbon emission per thousand dollars of revenue for 2023 was set to 1%.

CO2 emission figure derived from the inventory of greenhouse gas emissions for 2022 and 2021.

Unit:(ton CO2/year)

| Scope | Emission sources | 2021 | 2022 |
|---|---|---|---|
| Scope1 | Direct emission sources mean the GHG emission sources owned or controlled by the factory (fuel combustion in stationary sources, transportation emissions, process emissions, and fugitive emissions). | 21.29 | 20.44 |
| Scope2 | Indirect emissions are mainly due to purchased electricity. | 1,839.75 | 1917.6 |
| Total emissions | | 1,861.04 | 1,938.04 |

Note1: Scope1 / Direct emission sources mean the GHG emission sources owned or controlled by the Company.

Scope2 / Indirect emission sources mean the GHG emissions arising from th electricity, heat, or steam that the Company purchased for own use

Note2: The scope of the investigation: Factory in Taiwan

(2) Water resource management

Climate change has caused alternating floods and droughts around the world. Unfortunately, the touch panel industry has immense demands for water. As so, the Company strives to reduce process water consumption and recycle and reuse water in order to lower the risks arising from short supply of water.

Taiwan factory: Since the touch panel production processes have transitioned to the back-end processing and assembly, the focus of water conservation will be management of water and reduction in the water consumed by air conditioners. After adjusting the temperature setting and running time of air conditioners, water consumption has been adjusted.

Vietnam factory: Since the factory runs the whole production processes, the focus of water conservation will be management of water and reduction in process water. By adjusting the amount of water consumed by machinery, by optimizing the management of the water for maintenance use and for use when machinery is in sleep mode, and by recycling the hard water generated in the water purification process for domestic use, we have effectively reduced the city water consumption in the factory.

(3) Wastewater treatment

Taiwan factory: Since the touch panel production processes have transitioned to the back-end processing and assembly operation, the wastewater mainly comes from the domestic sewage generated from the use of domestic water by employees. The wastewater is treated to a level meeting the Industrial Park Controlled Effluent Discharge Standard before being discharged.

Vietnam factory: Since the factory was expected to run the whole production processes, we planned, designed, and constructed the factory upholding the philosophy of environmental care and sustainable development from the onset. We also chose our treatment equipment using a standard higher than the effluent discharge standard stipulated by the local environmental competent authority in Vietnam. Over the past years, we have invested substantially in wastewater treatment facilities, in terms of both construction work and equipment. We have applied for and obtained discharge licenses as required by law. The wastewater treated by the Company, if seen by type of water quality, can be divided into domestic sewage, organic wastewater, and non-organic wastewater. The wastewater is treated to a level meeting the Controlled Effluent Discharge Standard of Vietnam before being discharged.

(4) Waste management

The Company believes it true that only through green design and production and making improvements at the source end can resources consumption be effectively reduced. In addition, the Company hopes to avoid the direct environmental impact resulted from minerals mining and the waste generation therefrom at the back end by means of developing environmentally friendly products and recycling and reusing the various materials within the factory, so as to align ourselves with the world’s trend of sustainable development and resources recycling and reuse. The Company abides by environmental laws in that we adhere to the spirit of 4R, namely reduce, recycle, reuse, and replace, when treating our waste. Priority will be given to reducing resources consumption at the source end using either of the 4R methods. Only when it is not possible to apply either of the 4R methods to a type of waste will the waste be landfill or incinerated. After proper management and treatment, the waste can be divided into “Treatment-Required

Waste" (general/hazardous industrial waste), "Recyclable Waste", and "Resources Waste". We have obtained an approval from the competent authority for our Waste Management Plans for each type of waste as required by law, and treated or recycled the waste accordingly.

(5) Air pollution prevention

Taiwan factory: Since the touch panel production processes have transitioned to the back-end processing and assembly operation, there is no production process that causes air pollutions.

Vietnam factory: Since the factory runs the whole production processes, there are still pollutive gases resulting from the production processes that we have to address. Acid and alkaline gas treatment: The pollutive gas emissions from production processes are mainly the fugitive gases generated from the etching and development process. By having the acid or alkaline agent fully contact and mix with water, we dissolve the acid and alkaline molecules of the gases into water. The water generated in this way is discharged to the wastewater treatment plant for treatment. As for the gases of which the acid and alkaline molecules were removed, they are released into the atmosphere at pH7~9. The rinsing tower in the factory is equipped with an automatic agents feed system and a monitoring system, so as to monitor the pH value of gases emitted and ensure the effective of the rinsing tower. We have applied for and obtained the Pollutive Sources Emission Permit as required by law, and conduct operation and periodic testing work in accordance with the Air Pollution Control and Emission Standards. The testing results all indicate a level of air pollutants that is way lower the that required by law.

2. Energy conservation targets and implementation measures

(1) Electricity conservation target:

Electricity consumed by the company in 2022 reached 3,052kw, down 216kw, or 6.6%, from 3,268kw in 2021. This evidences the effectiveness of our electricity conservation targets and measures. As such, the electricity consumed target for 2023 is to reduce electricity consumed by 1% from the 2022 level.

(2) Water conservation target:

Water consumed by the company in 2022 reached 10,956 Ton, down 156 Tons, or 1.4%, from 11,112 Tons in 2021. This evidences the effectiveness of our water conservation targets and measures. As such, the water conservation target for 2023 is to reduce water consumption by 0.5% from the 2022 level.

(3) Waste:

The amount of waste generation by the company in 2022 reached 48.5 Ton, down 3.2 Tons, or 6%, from 51.7 Tons in 2021. This evidences the effectiveness of the amount of waste generation targets and measures. As such, the amount of waste generation target for 2023 is to reduce water consumption by 1% from the 2022 level.

(4) implementation measures:

A. Manage by area; for areas not employed at the moment, shut down the electricity and turn off the water, so as to improve the use effectiveness.

B. Manage wastes by type by means of reduction, classification, or commissioning a licensed waste disposal vendor to treat the wastes.

C. Multi function peripherals (MFPs) and printers are installed with an energy-saving device, which automatically turns the energy-saving mode on when the equipment is not in use.

D. Continue to promote and disseminate the idea of water conservation and “turning off the light when leaving” so that the individual can foster a good personal habit and apply it at home and in public premises.

(II) Employees’ physical safety; protection measures at the work environment; and implementation

1. Based on the Occupational Safety and Health Management Program formulated in every given year, the Company reviews the suitability of the policy and purpose stated thereon and sets the targets for the following year. The policy, purpose, and targets of the labor safety policy of Young Fast Optoelectronics are as follows:

(1) Occupational safety and health policy:

A. Abide by occupational safety and health laws and regulations.
B. Continue to improve the quality of safety and health.
C. Reduce employee safety and health risks
D. Implement occupational safety and health education
E. Implement safety and health consultation and communication.

(2) Purpose:

A. Comply with relevant occupational safety laws and regulations, as well as ISO45001 standard.
B. Improve the awareness of occupational safety of employees and contractors.
C. Achieve the goal of zero incident.

(3) Targets: Bring the annual in-factory occupational incident rate down by 0.05 % or more.

2. Implementation results of the occupational safety and health management system:

To fulfill our corporate social responsibility through a good occupational safety and health management, the Company, though yet to be certified against the ISO45001 Occupational safety and health management system, aligns our occupational safety and health management with ISO45001. The Company also always attends to the latest update of occupational safety and health laws and regulations in order to formulate a basis for our formulating the labor safety policy. In the future, with the determination to realize our occupational safety and health commitments and continuous improvement, the Company aims to make employees fully understand and implement our occupational safety and health protection policy.

3. Contents of the occupational safety and health implementation

(1) We review the implementation results as well as non-conformities through a report at an annual management review meeting for our Occupational Safety and Health Management System. Upholding the spirit of continuous improvement and optimization, we will continue safety observation, perform occupational health and safety management plans, regularly implement occupational safety and health inspection and audit, and conduct a review and a report at the quarterly Occupational Health and Safety Committee meeting. In addition, we also regularly negotiate employer-employee issues with union representatives to keep the employer-employee communication channel clear.

(2) Every year we regularly implement an employee health checkup, labor work environment monitoring, fire safety equipment inspection, maintenance, and filing, a safety inspection for the public space of a building, safety and health education and dissemination, and maintain the effectiveness of the Badge of Accredited Health Workplace - Health Initiation Label granted by the Health

Promotion Administration, MOHW, Executive Yuan.

(3) For management of machinery, equipment, or tools, we have established the "Hazardous Machinery and Equipment List" for control purpose. For hazardous machinery and equipment (e.g., lifting equipment), we have obtained relevant licenses, entrust professional institutions to inspect, repair, and maintain it on site every year and, at the year when licenses are about to expire, apply to the competent authority for regular inspection and hence new licenses, so as to ensure the safety of the lifting equipment when being used. Forklift operators are allowed to operate the forklift only after they have attended occupational safety and health training as required by law and obtained a license. The labor safety units and personnel units establish the "Special-purpose Machinery and Equipment Operator License List" and adjust such a list accordingly to personnel turnover. In case of vacancies due to resignation or any other causes, the Company shall fill such vacancies by recruiting licensed personnel or dispatching personnel to attend training and obtain a license.

(4) Procurement management/contractor management/ modification management: Procurement management and contractor management are conducted in accordance with the contents of the "Environmental Safety Contractor Management Directions"; modification management is conducted inn accordance with the "Environmental Operation Control Procedures", with all control measures being audited for management purpose.

(5) Compiling, sharing, and application of safety and health information: We disseminate laws and regulations, amendments, and safety and health communication matters by means of email, announcement, poster, slogan, or meeting; persist in launching activities that aim to achieve zero incident; and set up a bulletin board for posting occupational safety information, and a website for safety and education and health care, so as to disseminate safety and health and healthcare and promote health-promoting items.

(6) Emergency response and preparedness: To make employees remain calm upon the occurrence of an emergency so that they can make correct judgments and take appropriate actions, each unit regularly holds an emergency drill on the contents specified on the "Emergency Response Operating Procedures" and "Emergency Response Operation Instructions". The contents of drill include:

A. Relevant units hold a drill in accordance with the "Annual Emergency Response Test Plan".

B. A fire safety drill is held semiannually.

(7) Investigation and settlement and statistical analysis of occupational accidents, near misses, events that affect the physical and mental health;

To avoid recurrence of the same incidents, and to alert others by the victim's sharing his/her experience, each unit investigates and analyzes the accidents/incidents according to the "Industrial Safety and Health Management Procedures", and reports at the quarterly Labor Safety and Health Committee meeting the causes, circumstances, and situations of the incident, so as to review and improve personnel protection gears, machine guards, facilities at the environment, or operation methods, thereby preventing the recurrence of the same incident.

A. Make statistics of accidents occurred in a given month on a monthly basis and file the same with the competent authority within the first ten days of the following month.

B. The unit where an occupational incident occurs shall conduct an investigation, analysis, and review, and submit the records to the labor safety unit for future references.

C. The labor safety unit shall make statistics of every incident, and shall analyze the same for analysis evidence and data based on which improvements can be made, either in terms of personal protection gears, machine guards, facilities at the environment, or operation method.

(8) Record of safety and health management and performance:

There was no occupational incident in the factories during the period between January 2022 and December 2022.

(III) Engagement in community services and other charitable events

In 2022 the Company continued engagement in community care and services. We sponsored the Caota Fire Brigade for their Year-end Evening Party for Annual Review and Fire Prevention Dissemination; Provision of sponsorship for a volunteer firefighter squad, and for the events held by Fude Temple of the Industrial Park. Donated the income derived from sale of recycled toner cartridges to Syin-Lu Social Welfare Foundation; and once again obtained the Health Promotion Label – Accredited Healthy Workplace from the Health Promotion Administration, MOHW; Participation in the "CHR Healthy Corporate Citizen" organized by Common Health Magazine, which granted the Company a "Corporate Health Responsibility" Label. We used the FSC-accredited paper for our annual shareholders' meeting handbook and annual report for 2022, and entrusted a printing plant who is accredited with a Gold-level Green Mark Lithographic Printing certificate to publish the said handbook and report.

(IV) Human rights policy and management projects

To fulfill corporate social responsibility and ensure the basic human rights of employees, customers, and stakeholders, the Company has formulated the Human Rights Policy by referencing the principles of Responsible Business Alliance and the International Bill of Human Rights to demonstrate our respect for internationally-recognized basic human rights, including freedom of association, care for the vulnerable, prohibition of child labor, elimination of the various types of forced labor, elimination of employment discrimination, and abidance of labor laws applicable to the place where the company operates.

Human rights assessment and human rights risk mitigation measures: As a professional panel manufacturer and therefore a constituent of the human-machine interface, the Company goes beyond pursuing sustainable development to commit to ensuring that employees and employees of the supply chain enjoy a safe work environment and that personnel are respected and enjoy dignity; to promoting environmental protection; to raising the awareness of care for people and environment; and to abiding by relevant ethical rules, so as to fulfill our social responsibility for employees, consumers, communities, and the environment. As so, the Company references the regulations of the Responsible Business Alliance standard and regularly implements an internal risk-identification assessment and an external audit, and submits the audit results to our customers. Internal and external trainings on human right issues held in 2022 totaled 36 hours.

Human rights concerns and actions

1. Workplace safety and health

(1) The Company has passed the review and certification against ISO 14001 Environmental management systems while providing a safe workplace to employees by referencing the regulations of ISO45001 Occupational Safety and Health Systems.

(2) The Company has a nursery room to satisfy female colleagues' needs, and provides a health checkup for all in-service colleagues.

2. Eliminate unlawful discrimination and ensure equal employment
According to our "Recruitment and Appointment Regulations", the recruitment process and decision shall not discriminate based on various factors such as race, religion, belief, gender, marital or reproductive status, age, political affiliation, nationality, disability, sexual orientation, zodiac sign, blood type, etc.

3. Prohibition of child labor: In order to ensure compliance with our corporate social responsibility and ethics rules, we only recruit adults at or the age of 18 or above.

4. Prohibition of forced labor: The Company shall not use any form of slavery or coercion to force involuntary labor.

5. Diversified workplace:

The Company is committed to providing employees with a dignified, safe workplace. We practice employment diversity, provide equal opportunities for remuneration and promotion, and ensure that employees will not be discriminated against, harassed, or unfairly treated on the grounds of race, gender, religion, age, political affiliation, or any other circumstance specified in applicable laws and regulations.

6. Concrete measures:

(1) New employee orientation:

Prohibition of forced labor; prohibition of child labor; anti-discrimination; anti-harassment; promotion of working hour management; guarantee of humane treatment; provision of a safe and healthy workplace.

(2) Prevention of workplace violence:

Make use of the channels, such as EIP/Bulletin Board, a physical bulletin board, a dissemination meeting, education and training, to make employees aware of their responsibility to help prevent unlawful infringement at a workplace when they are performing their duties, and disclose on the said channels the complaints hotline, so as to build a friendly workplace.

(3) Occupational safety training courses:

Including health promotion dissemination, training on labor safety and health and fire safety, and emergency aid training.

(4) Signed the Statement of Prevention of Workplace Violence, and formulated sexual harassment control measures, and the regulations for grievance filing and punishment.

Corporate social responsibility (CSR) has gradually become the key performance indicators for measuring an enterprise's sustainable development. The Company has been attending to social and environmental responsibility and abide by RBA regulations. Aside from the environment management aspect already in place, we further include assessment of the risks of labor safety and health and actions to be taken; promotion of labor rights; encouragement of work-life balance; dissemination of the awareness of sexual harassment; occupational safety and care for employees' physical and mental health; compliance with business ethics; and protection of intellectual property rights and business secretes.

(VI) The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor

| Evaluation Items | The state of operations | | | The differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Formulate ethical corporate management policy and plan<br>(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?<br>(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?<br>(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it? | ✓ | | (I) The Company's Board of Directors has passed the "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Management Operating Procedures and Code of Conduct", and has established the CSR team direct under it to take charge of promoting and implementing CSR-related matters.<br>(II) The Company has specified the regulations on our Work Rules and other documents to prevent unethical conduct.<br>(III) The Company prevents unethical conduct in daily operations by implementing our "Approval Authorization Regulations", job rotation, and internal audit, and so on. | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| II. The implementation of ethical corporate management<br>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?<br>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?<br>(III) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and implement it?<br>(IV) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?<br>(V) Does the Company regularly organize internal and external education and training on ethical corporate management? | ✓ | | (I) The Company demands that major suppliers sign the Ethics, Integrity, and Confidentiality Undertaking.<br>(II) The Company has established the CSR team directly under the Board of Directors to take charge of promoting corporate social responsibility and ethical corporate management, and to report the progress to the Board of Directors. The results of implementing ethical corporate management in 2022 have been reported to the Board of Directors meeting dated Feb. 23, 2023.<br>(III) The Company has provided proper communication channels for insiders to communicate with the top-level management at any time through email, hotline, or other channels.<br>(IV) The Company's internal auditors audit the compliance with our internal control system against the annual audit plan; compile an audit report,; submit the same to independent directors and supervisors for their reference; and regularly report to the Board of Directors.<br>(V) The Company regularly disseminates information on ethical corporate management to employees and trains them in this regard every year. Internal and external trainings on ethical | There is no difference from the spirit of the principles. |

| Evaluation Items | The state of operations | | | The differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | corporate management held in 2022 (including compliance with laws and regulations respecting ethical corporate management, accounting system, and internal control) totaled 49 hours. | |
| III. The operation of the Company's whistleblower reporting system<br>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?<br>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?<br>(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting? | ✓ | | The Company has specified a concrete reporting and rewards system on our Ethical Corporate Management Operating Procedures and Code of Conduct; we also set up an employee suggestion box and make available on our website the contact number and email of managers at each level. Employees may fully use such information. In addition, employee may file their complaints by requesting the convention of the Personnel Evaluation Committee. | There is no difference from the spirit of the principles. |
| IV. Enhance Information Disclosure Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System? | ✓ | | The Company has disclosed information on our ethical corporate management on our website. | There is no difference from the spirit of the principles. |
| V. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: no difference. | | | | |
| VI. Other important information that is helpful to understand the implementation of ethical corporate management (For example, if the Company reviews and amends its ethical corporate management principles.):The Board of Directors revised the “Ethical Corporate Management Operating Procedures and Code of Conduct” on march 25, 2020, and passed the “Implementation Rules for the Whistle-blower System” on November 11, 2020. | | | | |

(VII) If the Company has formulated the "Corporate Governance Practice Principles" and related rules, it shall disclose its inquiry methods: The Company has posted on the Company's website (http://www.yfo.com.tw) for shareholder enquiry.

(VIII)Other important information that is helpful to understand the Company's implementation of corporate governance may also be disclosed.

1. The Company has passed the "Code of Ethics" that governs employees' conduct and ethics. please refer to the web page at www.yfo.com.tw/Investor Center/Corporate Governance /Code of Ethical Conduct.
2. The Company has formulated the "Procedures for Handling Material Inside Information". All employees from all departments shall abide by such regulations and relevant laws when they are dealing with or disclosing potentially material information, please refer to the web page at www.yfo.com.tw /Investor Center/Corporate Governance /Procedures for handling inside information.

(VIIII) The implementation of internal control system

1. Statement of internal control: Please refer to P.68.
2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: None.

**YOUNG FAST OPTOELECTRONICS CO., LTD.**

**Statement of internal control system**

Date: February 23, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation,

I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.

II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of internal control system adopted in the "Regulations" are based on the process of managerial control and divide internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The Company has adopted the aforementioned criteria of internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system was effective as of December 31, 2022 (including the supervision and management of subsidiaries), with a understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether the reporting was reliable, timely, transparent, and if the compliance with relevant rulings, laws and regulations is met, and a reasonable assurance of the achievement of these objectives.

VI. This statement will become the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VII. This statement was approved by the Company’s Board of Directors on February 23, 2023. The content of this Statement was approved by all eight directors present and declare here.

YOUNG FAST OPTOELECTRONICS CO., LTD.

Chairman: Chihchiang Pai

President: Yichuan Hsu

(X) During the most recent year or during the current year up to the date of publication of the annual report, if the Company or its internal personnel have been punished in accordance with law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the results of such punishments may have a material effect on shareholder equity or securities price, the contents of the punishments, major deficiencies and improvements should be listed: None.

(XI) Important resolutions of the shareholder meeting and board meeting during the most recent year or during the current year up to the date of publication of the annual report:

1. shareholder meeting

| Date | Important resolution |
| --- | --- |
| June 29, 2022 Annual shareholders' meeting | 1. Ratification of the 2021 business report and financial statements<br>Implementation status: This Business Report and Financial Statements were adopted as proposed through a vote by all shareholders present, with 83,199,962 votes voted in favor (including 21,825,019 votes cast electronically), accounting for 99.45% of total votes present; 20,757 votes voted against (including 20,757 votes cast electronically), accounting for 0.02% of total votes present; 443,567 votes abstained or not casted (including 443,567 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid.<br>2. Ratification of the 2020 earnings distribution proposal<br>Implementation status: This Earnings Distribution Proposal was adopted as proposed through a vote by all shareholders present, with 83,198,965 votes voted in favor (including 21,824,022 votes cast electronically), accounting for 99.44 % of total votes present; 21,753 votes voted against (including 21,753 votes cast electronically), accounting for 0.03% of total votes present; 443,568 votes abstained or not casted (including 443,568 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid. Subsequently, the Company set the ex-dividend date on September 12, 2022, and completed distribution of all dividends on September 30, 2022 (NTD0.7 cash dividend for each share).<br>3. Approved the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets"<br>Implementation status: This proposal was adopted as proposed through a vote by all shareholders present, with 83,197,885 votes voted in favor (including 21,822,942 votes casted electronically), accounting for 99.44 % of total votes present; 22,822 votes voted against (including 22,822 votes cast electronically), accounting for 0.03% of total votes present; 443,579 votes abstained or not casted (including 443,579 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid. The Company has already operated according to the amended regulations and disclosed the same on our website.<br>4. Approved the amendment to the Company's "Article of Incorporation"<br>Implementation status: This proposal was adopted as proposed through a vote by all shareholders present, with 83,198,935 votes voted in favor (including 21,832,992 votes casted electronically), accounting for 99.44% of total votes present; 21,770 votes voted against (including 21,770votes cast electronically), accounting for 0.03% of total votes present; 443,581 votes abstained or not casted (including 443,581 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid. The proposal was approved as proposed. Thereafter, on July 14, 2022, registration was approved by the Ministry of Economic Affairs and disclosure was made on the Company's website. |

| Date | Important resolution |
|---|---|
| | 5. Approved the amendment to the Company's "Rules of Procedure for Shareholders Meeting"<br>Implementation status: This proposal was adopted as proposed through a vote by all shareholders present, with 83,178,878 votes voted in favor (including 21,812,935 votes casted electronically), accounting for 99.44% of total votes present; 32,828 votes voted against (including 32,828 votes cast electronically), accounting for 0.04% of total votes present; 443,580 votes abstained or not casted (including443,580 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid. The Company has already operated according to the amended regulations and disclosed the same on our website.<br>6. Approved the capital surplus cash distribution proposal<br>Implementation status: This proposal was adopted as proposed through a vote by all shareholders present, with 83,194,886 votes voted in favor (including 21,819,943 votes cast electronically), accounting for 99.44% of total votes present; 25,819 votes voted against (including 25,819 votes cast electronically), accounting for 0.03% of total votes present; 443,581 votes abstained or not casted (including443,581 votes cast electronically), accounting for 0.53% of total votes present; and 0 vote deemed invalid. Subsequently, the Company set the ex-dividend date on September 12, 2022, and completed distribution of all dividends on September 30, 2022 (NTD0.5 cash dividend for each share). |

2. The Board of Directors:

| Date | Important resolution |
|---|---|
| 2022.3.11 | 1. Approved the Company's 2021 financial statements and consolidated financial statements.<br>2. Approved the Company's 2022 business plan.<br>3. Approved the Company's 2022 budget.<br>4. Approved amendment of some provisions of the Company's "Corporate Governance Principles"<br>5. Approved amendment of some provisions of the Company's "Sustainable Development Principles"<br>6. Approved amendment of some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"<br>7. Approved amendment of some provisions of the Company's "Article of Incorporation"<br>8. Approved the date, time, and venue of the 2022 General Meeting of Shareholders and the period for accepting shareholder proposals and nominations.<br>9. Approved the assessment of the effectiveness of the internal control system completed by the Company in 2021 and issued an "Internal Control Statement."<br>10. Approved inventory write-off for Company.<br>11. Passed the proposal to deposit the Company's seal exclusively for the use of making endorsements and guarantees with the custodian of the Company's business registration seal.<br>12. Approved assessment and appointment remuneration of the competency and independence of CPAs.<br>13. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>14. Passed the proposal to sign a lease contract for buildings and parking lots with the related party Hold-key Electric Wire & Cable Co., Ltd.<br>15. Passed the proposal to lift the non-compete ban imposed on the Company's managers. |

| Date | Important resolution |
| --- | --- |
| | 16. Passed the proposal to conduct a follow-on offering for Young Fast (SAMOA) Co., Ltd.. |
| 2022.5.11 | 1. Approved the Company's 2022Q1 consolidated financial statements.<br>2. Approved 2021 business report.<br>3. Approved the Company's 2021 annual remuneration distribution plan for employees, directors and supervisors.<br>4. Approved 2021 profit distribution plan.<br>5. Approved 2021 issuance of cash from additional paid-in capital.<br>6. Approved amendment of some provisions of the Company's "Rules of Procedure for Shareholders Meetings."<br>7. Approved updated 2022 Annual General Meeting of Shareholders.<br>8. Approved inventory write-off for Company.<br>9. Approved amendment of some provisions of the Company's "Corporate Governance Principles"<br>10. Approved evaluation of whether the Company has engaged in lending of funds in hidden form.<br>11. Approved the proposal to conduct a capital reduction for the Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses. |
| 2022.8.10 | 1. Approved the Company's 2022Q2 consolidated financial statements.<br>2. Approved the proposal to devise the timeline for the inventory and verification of GHS emitted by the Company and the Group (including each subsidiary)<br>3. Approved early termination of the Company's lending of funds.<br>4. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>5. Approved the proposal to conduct a capital reduction for the Company's subsidiary YOUNG FAST (SAMOA) Co., Ltd. To make up losses.<br>6. Approved performance bonus distribution for managers of the Company. |
| 2022.11.9 | 1. Approved the Company's 2022Q3 consolidated financial statements.<br>2. Approved the Company's 2022 audit plan.<br>3. Approved inventory write-off for Company.<br>4. Approved amendment of some provisions of the Company's "Rules of Procedure for Board of Directors Meetings."<br>5. Approved the proposal to terminate the loaning of funds to the subsidiary YOUNG FAST OPTOELECTRONICS (H.K.) CO., LTD.<br>6. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>7. Approved the proposal to increase investment on gold and marketable securities. |
| 2022.12.21 | 1. Approved the proposal on the capital expenditure of the Company's Electromechanical Business Group.<br>2. Approved the proposal to formulate the general principles for the Company's pre-approval of non-assurance services.<br>3. Approved amendment of some provisions of the Company's "Procedures for Handling Material Inside Information"<br>4. Approved amendment of some provisions of the Company's "Corporate Governance Principles "<br>5. Approved to proposal to adjust the salary of the Company's managers. |
| 2023.2.23 | 1. Approved the Company's 2022financial statements and consolidated financial statements.<br>2. Approved the Company's 2023 business plan.<br>3. Approved the Company's 2023 budget.<br>4. Approved the proposal to add provisions to the "Internal Control System" and "Internal Audit Implementation Rules" pertaining to transfer of the Company's treasury shares.<br>5. Approved amendment of some provisions of the Company's "Regulations for Preventions of Insider Trading." |

| Date | Important resolution |
| --- | --- |
| | 6. Approved amendment of some provisions of the Company's " Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises"<br>7. Approved amendment of some provisions of the Company's "Sustainable Development Principles"<br>8. Approved amendment of some provisions of the Company's "Corporate Governance Principles "<br>9. Approved amendment of some provisions of the Company's "Operational Procedures for Loaning Funds to Others"<br>10. Approved the date, time, and venue of the 2023 General Meeting of Shareholders and the period for accepting shareholder proposals and nominations.<br>11. Approved the assessment of the effectiveness of the internal control system completed by the Company in 2022 and issued an "Internal Control Statement."<br>12. Approved inventory write-off for Company.<br>13. Approved the proposal to subordinate the CPAs from KPMG who would attest the Company's financial statements for 2023Q1 and thereafter.<br>14. Approved assessment and appointment remuneration of the competency and independence of CPAs.<br>15. Approved evaluation of whether or not the aging of the Company's accounts receivable and other receivables other than accounts receivable might constitute a lending of funds in hidden form.<br>16. Approved the proposal on Purchase and Sale Transactions between the Company and its subsidiary Hold-Key Electric Wire & Cable Co., Ltd. in 2023.<br>17. Approved the proposal to sign a lease contract for parking lots with the related party Hold-key Electric Wire & Cable Co., Ltd.<br>18. Approved the proposal to install solar panels on the rooftop of Guanyin Plant No.3 |

(XII) During the most recent year or during the current year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

(XIII) For the most recent year or the current year up to the date of publication of the annual report, summary of the resignation and dismissal of the Company's chairperson, general managers, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer: None.

## V. Information on CPA Professional Fee

Amount unit: Thousand NT$

| Name of CPA firm | The name of CPA | Audit period | Audit Fee | Non-Audit Fee | Total | Remark |
| --- | --- | --- | --- | --- | --- | --- |
| KPMG | Chunxiu Guan | 1110101~1111231 | 2,750 | 54 | 2,804 | None |
| | Boshu Huang | | | | | |

Non-Audit fees content is as follows:

1. Miscellaneous expense for transportation, typing, printing of financial statements, and consultation: NTD44 thousand.
2. Secondary review of the statement of salary of full-time employee not in managerial positions: NTD10 thousand.

(I) Where the audit fee paid in the year of the replacement of CPA firm is less than the audit fee in the year before the change, the amount of the audit fee before and after the replacement and the reasons therefor should be disclosed: None.

(II) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage and reasons therefor should be disclosed: None.

**VI. Information on the Replacement of CPA: NA**

**VII. If the Company's Chairman, President, or any Managerial Officer in charge of Finance or Accounting Affairs has in the Most Recent Year Held a Position at the Accounting Firm of Its Attesting CPA or an Affiliate of the Accounting Firm, the Name and Position of the Person, and the Period during which the Position was Held, Should be Disclosed: None.**

**VIII. Any Equity Transfer or Change in Equity Pledge by a Director, Supervisor, Managerial Officer, or Shareholder with 10% Stake or more during the Most Recent Year or during the Current Year up to the Date of Publication of the Annual Report.**

(I) Changes in equity

UNIT:share

| Title | Name | 2022 | | 2023 up to April 2 | |
|---|---|---|---|---|---|
| | | Change in shares held | Change in shares pledged | Change in shares held | Change in shares pledged |
| Chairperson | Chihchiang Pai | 0 | 0 | 0 | 0 |
| Director and shareholders with 10% stake or more | Soy Young Enterprise Co., Ltd. | 2,635,000 | 0 | 248,000 | 0 |
| Director(Gerenal Manager) | Yichuan Hsu | 0 | 0 | 0 | 0 |
| Director and shareholders with 10% stake or more | Hold-Key Electric Wire & Cable Co., Ltd. | 0 | 0 | 0 | 0 |
| Director( Assistant general manager) | Fengyu Ho | 0 | 0 | 0 | 0 |
| Director( Assistant general manager) | Menggui Lin | 0 | 0 | 0 | 0 |
| Independent Director | Chengkun Kuo | 0 | 0 | 0 | 0 |
| Independent Director | Wenxiu Zhang | 0 | 0 | 0 | 0 |
| Independent Director | Xiege Hao | 0 | 0 | 0 | 0 |
| Gerenal Manager,LRM | Xinzheng Li | 0 | 0 | 0 | 0 |
| Senior deputy assistant general manager, | Sechin Wu | 0 | 0 | 0 | 0 |
| Executive Special Assistant | Qinfeng Lin (Note1) | 0 | 0 | 0 | 0 |
| Senior deputy assistant general manager, | Hsunkuo Lee | 0 | 0 | 0 | 0 |
| Deputy assistant general manager | Tehsiu Shen | 0 | 0 | 0 | 0 |
| Deputy assistant general manager | Hongqi Huang(Note2) | 0 | 0 | 0 | 0 |
| Deputy assistant general manager | Liguang Du(Note3) | 0 | 0 | 0 | 0 |
| Deputy assistant general manager,LRM | Zongwei Zhu | 0 | 0 | 0 | 0 |
| Accounting officer | Weiju Hsu | 0 | 0 | 0 | 0 |

Note1: Transferred to Executive Special Assistant on 4/15/2022 and resigned on 12/31/2022.
Note2: Resigned on 5/26/2022.
Note3: Resigned on 10/14/2022.

(II) Information of the equity transfer: Not applicable because the counterparties to the equity transfer or equity pledge are not a related party.

(III) Information of the equity pledge: None.

## IX. Information on the Relationship Among the Top 10 Shareholders

April 2,2023

| Name | Shareholding by the individual | | Shareholding of spouse and minor children | | Total shareholding in the name of others | | The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse or a relative within second degree of kinship of another. | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Share holding % | Number of shares | Share holding % | Number of shares | Share holding % | Name (or alias) | Relation | |
| Soy Young Enterprise Co., Ltd. | 30,841,114 | 20.38% | 0 | 0 | 0 | 0 | Hold-Key Electric Wire & Cable Co., Ltd. | Investments accounted for using equity method | None |
| Soy Young Enterprise Co., Ltd. Representative: Shujuan Xu | 0 | 0 | 0 | 0 | 0 | 0 | Shuli Xu<br>Kaiti Yang<br>Biqi Yang | Relatives within second degree of kinship | None |
| Hold-Key Electric Wire & Cable Co., Ltd. | 20,414,832 | 13.49% | 0 | 0 | 0 | 0 | Soy Young Enterprise Co., Ltd. | Investments accounted for using equity method | None |
| Hold-Key Electric Wire & Cable Co., Ltd. Representative: Biqi Yang | 0 | 0 | 0 | 0 | 0 | 0 | Shuli Xu<br>Kaiti Yang<br>Biqi Yang | Relatives within second degree of kinship | None |
| Zhangmiao Development Co., Ltd. | 9,403,000 | 6.21% | 0 | 0 | 0 | 0 | None | None | None |
| Zhangmiao Development Co., Ltd. Responsible person: Shufen Xu | 1,371,849 | 0.91% | 47,487 | 0.03% | 0 | 0 | Yuanhong Huang | Relatives within second degree of kinship | None |
| BOND-GALV INDUSTRIAL CO., LTD. | 6,000,323 | 3.97% | 0 | 0 | 0 | 0 | None | None | None |
| BOND-GALV INDUSTRIAL CO., LTD. Responsible person: Yuanhong Huang | 266,000 | 0.18% | 292,000 | 0.19% | 0 | 0 | Shufen Xu | Relatives within second degree of kinship | None |
| Yusheng Asset Development Co., Ltd. | 3,817,000 | 2.52% | 0 | 0 | 0 | 0 | None | None | None |
| Yusheng Asset Development Co., Ltd. Responsible person: Shuli Xu | 1,077,000 | 0.71% | 2,000,000 | 1.32% | 0 | 0 | Shujuan Xu<br>Kaiti Yang<br>Biqi Yang | Relatives within second degree of kinship | None |
| Rongyuan Lin | 2,835,000 | 1.87% | 0 | 0 | 0 | 0 | None | None | None |
| Kaiti Yang | 2,000,000 | 1.32% | 0 | 0 | 0 | 0 | Shujuan Xu<br>Biqi Yang<br>Shuli Xu | Relatives within second degree of kinship | None |
| Peizhu Huang | 2,000,000 | 1.32% | 1,077,000 | 0.71% | 0 | 0 | None | None | None |
| Shengjie Lin | 1,488,000 | 0.98% | 0 | 0 | 0 | 0 | None | None | None |
| Young Ssuh Wong Internation Developer Co., Ltd. | 1,474,140 | 0.97% | 0 | 0 | 0 | 0 | None | None | None |
| Young Ssuh Wong Internation Developer Co., Ltd. Responsible person:Zhenxiu Yang | 0 | 0 | 0 | 0 | 0 | 0 | None | None | None |

## X. The Total Number of Shares and the Consolidated Equity Stake Percentage Held in any Single invested Enterprise by the Company, its Directors, Supervisors, Managerial Officers, or any Companies Controlled Either Directly or Indirectly by the Company

December 31, 2022 Unit: shares; %

| Reinvested enterprise (Note 1) | Investment by the Company | | Directors, supervisors, managerial officers, and investments controlled either directly or indirectly | | Total investment | |
|---|---|---|---|---|---|---|
| | Number of shares | Shareholding % | Number of shares | Shareholding % | Number of shares | Shareholding % |
| Taiwan SRU Co., Ltd. | 3,096 | 51% | 0 | 0 | 3,096 | 51% |
| Young Fast (BELIZE) Co.,Ltd. (Note 2) | 100,000 | 100% | 0 | 0 | 100,000 | 100% |
| Young Fast (SAMOA) Co.,Ltd. | 43,000 | 100% | 0 | 0 | 43,000 | 100% |
| Epoch Chemtronics CORP. | 8,080 | 23.75% | 0 | 0 | 8,080 | 23.75% |
| Turn Young Optoelectronics Co., Ltd. (Note2) | 150 | 100% | 0 | 0 | 150 | 100% |

Note1: Investment by the Company using equity method.

Nored2:Liquidation and retirement of Young Fast (BELIZE) Co., Ltd were completed on Mar. 29, 2023

## Four. Capital Raising

# I. Capital and Shares

## (I) Source of capital

### 1. Share type

Unit: shares

| Share type | Authorized capital | | | Remark |
|---|---|---|---|---|
| | Outstanding shares (note) | Unissued shares | Total | |
| Common shares | 151,327,600 | 48,672,400 | 200,000,000 | |

### 2. Process of paid-in capital

Unit:Thousand NT$/Thousand shares

| Year and month | Issue price (NT$) | Authorized capital | | Paid-in capital | | Note | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of capital | Using property other than cash as payment of shares | Others |
| 91.07 | 10 | 500 | 5,000 | 500 | 5,000 | Cash | None | Note1 |
| 92.07 | 10 | 6,000 | 60,000 | 2,160 | 21,600 | Cash | None | Note2 |
| 92.12 | 10 | 6,000 | 60,000 | 4,140 | 41,400 | Cash | None | Note3 |
| 93.06 | 10 | 6,000 | 60,000 | 6,000 | 60,000 | Cash | None | Note4 |
| 95.03 | 15 | 30,000 | 300,000 | 10,000 | 100,000 | Cash | None | Note5 |
| 97.01 | 10 | 150,000 | 1,500,000 | 94,000 | 940,000 | Merge | None | Note6 |
| 97.06 | 110 | 150,000 | 1,500,000 | 101,000 | 1,010,000 | Cash | None | Note7 |
| 97.08 | 10 | 150,000 | 1,500,000 | 105,700 | 1,057,000 | Earnings and capital surplus | None | Note8 |
| 98.03 | 87 | 150,000 | 1,500,000 | 115,788 | 1,157,880 | Cash | None | Note9 |
| 98.05 | 10 | 150,000 | 1,500,000 | 131,643 | 1,316,430 | Capital surplus | None | Note10 |
| 99.01 | 10 | 150,000 | 1,500,000 | 132,042 | 1,320,425 | Employee stock option | None | Note11 |
| 99.04 | 10 | 150,000 | 1,500,000 | 133,000 | 1,330,000 | Employee stock option | None | Note12 |
| 99.07 | 10 | 150,000 | 1,500,000 | 133,305 | 1,333,050 | Employee stock option | None | Note13 |
| 99.11 | 288 | 150,000 | 1,500,000 | 141,805 | 1,418,050 | Cash | None | Note14 |
| 100.01 | 10 | 150,000 | 1,500,000 | 142,109 | 1,421,095 | Employee stock option | None | Note15 |
| 100.04 | 10 | 150,000 | 1,500,000 | 142,342 | 1,423,420 | Employee stock option | None | Note16 |
| 100.07 | 10 | 150,000 | 1,500,000 | 142,705.5 | 1,427,055 | Employee stock option | None | Note17 |
| 100.08 | 10 | 200,000 | 2,000,000 | 149,823.85 | 1,498,238.5 | Earnings and capital surplus | None | Note18 |
| 100.11 | 10 | 200,000 | 2,000,000 | 150,114.85 | 1,501,148.5 | Employee stock option | None | Note19 |
| 101.04 | 10 | 200,000 | 2,000,000 | 150,620.35 | 1,506,203.5 | Employee stock option | None | Note20 |
| 101.09 | 10 | 200,000 | 2,000,000 | 150,988.35 | 1,509,883.5 | Employee stock option | None | Note21 |
| 101.12 | 10 | 200,000 | 2,000,000 | 151,003.85 | 1,510,038.5 | Employee stock option | None | Note22 |

| Year and month | Issue price (NT$) | Authorized capital | | Paid-in capital | | Note | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of capital | Using property other than cash as payment of shares | Others |
| 102.02 | 10 | 200,000 | 2,000,000 | 151,162.35 | 1,511,623.5 | Employee stock option | None | Note23 |
| 102.04 | 10 | 200,000 | 2,000,000 | 151,245.35 | 1,512,453.5 | Employee stock option | None | Note24 |
| 102.12 | 10 | 200,000 | 2,000,000 | 151,278.35 | 1,512,783.5 | Employee stock option | None | Note25 |
| 103.05 | 10 | 200,000 | 2,000,000 | 151,282.85 | 1,512,828.5 | Employee stock option | None | Note26 |
| 103.11 | 10 | 200,000 | 2,000,000 | 151,327.60 | 1,513,276.0 | Employee stock option | None | Note27 |

Note1: Approved on 2002.7.30 with Order No. 091165455 by Taipei City Government.

Note2: Approved on 2003.7.28 with Order No. 09213394700 by Taipei City Government.

Note3: Approved on 2003.12.1 with Order No. 09226288400 by Taipei City Government.

Note4: Approved on 2004.6.3 with Order No. 09311764300 by Taipei City Government.

Note5: Approved on 2006.3.14 with Order No. 09573862310 by Taipei City Government.

Note6: Approved on 2008.1.24 with Order No. 09701015050 by MOEA.

Note7: Approved on 2008.5.12 with Order No. 0970020487 by FSC.
Approved on 2008.7.16 with Order No. 09701164240 by MOEA.

Note8: Approved on 2008.6.11 with Order No. 0970029195 by FSC.
Approved on 2008.8.5 with Order No. 09701193170 by MOEA.

Note9: Approved on 2009.1.10 with Order No. 0970072115 by FSC.
Approved on 2009.4.6 with Order No. 09801065010 by MOEA.

Note10: Approved on 2009.4.28 with Order No. 0980017634 by FSC.
Approved on 2009.6.12 with Order No. 09801119490 by MOEA.

Note11: Approved on 2010.1.29 with Order No. 09901021410 by MOEA.

Note12: Approved on 2010.4.12 with Order No. 09901068980 by MOEA.

Note13: Approved on 2010.7.19 with Order No. 09901161260 by MOEA.

Note14: Approved on 2010.9.7 with Order No. 0990045980 by FSC.
Approved on 2010.11.19 with Order No. 0990125350 by MOEA.

Note15: Approved on 2011.1.19 with Order No. 10001011060 by MOEA.

Note16: Approved on 2011.5.12 with Order No. 10001096270 by MOEA.

Note17: Approved on 2011.7.20 with Order No. 10001165050 by MOEA.

Note18: Approved on 2011.8.19 with Order No. 10001192820 by MOEA.

Note19: Approved on 2011.11.17 with Order No. 10001261080 by MOEA.

Note20: Approved on 2012.4.13 with Order No. 10101065490 by MOEA.

Note21: Approved on 2012.9.11 with Order No. 10101189040 by MOEA.

Note22: Approved on 2012.12.24 with Order No. 10101263820 by MOEA.

Note23: Approved on 2013.2.20 with Order No. 10201029300 by MOEA.

Note24: Approved on 2013.4.10 with Order No. 10201064780 by MOEA.

Note25: Approved on 2013.12.2 with Order No. 10201242380 by MOEA.

Note26: Approved on 2014.5.26 with Order No. 10301094780 by MOEA.

Note27: Approved on 2014.11.28 with Order No. 10301247690 by MOEA.

3. Information on shelf registration system: Not applicable.

(II) Shareholder structure

April 2, 2023

| Shareholder structure / Quantity | Government agency | Financial institution | Other juristic person | Individual | Foreign institution and individual | Total |
|---|---|---|---|---|---|---|
| Number of persons | 0 | 1 | 249 | 26,094 | 47 | 26,391 |
| Shareholding | 0 | 2,298 | 74,815,525 | 73,695,975 | 2,813,802 | 151,327,600 |
| Shareholding (%) | 0 | 0 | 49.44 | 48.70 | 1.86 | 100.00 |

(III) Equity dispersion profile

April 2, 2023

| Shareholding range | | | Number of shareholders | Shareholding | Shareholding % |
|---|---|---|---|---|---|
| 1 | to | 999 | 15,992 | 490,969 | 0.32% |
| 1,000 | to | 5,000 | 8,291 | 16,268,575 | 10.75% |
| 5,001 | to | 10,000 | 1,086 | 8,291,402 | 5.48% |
| 10,001 | to | 15,000 | 332 | 4,132,135 | 2.73% |
| 15,001 | to | 20,000 | 206 | 3,731,281 | 2.47% |
| 20,001 | to | 30,000 | 183 | 4,595,549 | 3.04% |
| 30,001 | to | 40,000 | 78 | 2,768,427 | 1.83% |
| 40,001 | to | 50,000 | 50 | 2,275,988 | 1.50% |
| 50,001 | to | 100,000 | 89 | 6,444,708 | 4.26% |
| 100,001 | to | 200,000 | 38 | 5,167,067 | 3.41% |
| 200,001 | to | 400,000 | 24 | 6,789,855 | 4.49% |
| 400,001 | to | 600,000 | 6 | 2,816,386 | 1.86% |
| 600,001 | t0 | 800,000 | 1 | 800,000 | 0.53% |
| 800,001 | to | 1,000,000 | 1 | 1,000,000 | 0.66% |
| More than 1,000,001 | | | 14 | 85,755,258 | 56.67% |
| Total | | | 26,391 | 151,327,600 | 100.00% |

(IV) Major shareholders (with more than 5% stake and among top 10)

April 2, 2023 Unit: share/%

| Name of major shareholder / shares | Shareholding | Shareholding % |
|---|---|---|
| Soy Young Enterprise Co., Ltd. | 30,841,114 | 20.38% |
| Hold-Key Electric Wire & Cable Co., Ltd. | 20,414,832 | 13.49% |
| Zhangmiao Development Co., Ltd. | 9,403,000 | 6.21% |
| BOND-GALV INDUSTRIAL CO., LTD. | 6,300,323 | 4.16% |
| Yusheng Asset Development Co., Ltd. | 3,817,000 | 2.52% |
| Rongyuan Lin | 2,835,000 | 1.87% |
| Kaiti Yang | 2,000,000 | 1.32% |
| Peizhu Huang | 2,000,000 | 1.32% |
| Shengjie Lin | 1,488,000 | 0.98% |
| Young Ssuh Wong Internation Developer Co., Ltd. | 1,474,140 | 0.97% |

(V) Information on market price, net worth, earnings, dividend per share for the most recent two years

Unit: NTD$/share

| Item / Year | | | 2021 | 2022 | Current year up to March 31, 2023 |
|---|---|---|---|---|---|
| Market price per share | Highest | | 47.5 | 36.2 | 31.65 |
| | Lowest | | 25.45 | 24.7 | 27 |
| | Average | | 31.7(note1) | 28.64 | 29.07(note2) |
| Net worth per share | Before distribution | | 34.56 | 36.95 | (note4) |
| | After distribution | | 33.36 | Not distribution yet (note3) | Not applicable |
| Earnings per share | Weighted average number of shares | | 151,327,600 | 151,327,600 | 151,327,600 |
| | Earnings per share | | 1.85 | 2.75 | (note4) |
| Dividend per share | Cash dividend | | 1.2 | 1.5 | Not applicable |
| | Stock dividend | Stock dividend from retained earnings | 0 | 0 | Not applicable |
| | | Stock dividend from capital surplus | 0 | 0 | Not applicable |
| | Cumulative unpaid dividend | | None | None | Not applicable |
| Return on investment analysis | Price-to-Earning Ratio | | 17.14 | 10.42 | Not applicable |
| | Price to earning ratio | | 26.42 | 19.09 | Not applicable |
| | Cash dividend yield | | 3.79% | 5.24% | Not applicable |

Note1: Calculated at the average closing price.

Note2: Calculated at the weighted average price.

Note3: 2022 earnings distribution has not yet been approved by the regular shareholder meeting.

Note4: Financial information has not yet been settled

(VI) Company dividend policy and implementation

1. Dividend policy：The dividend policy in the compamy Article of Incorporation, below:

If the Company makes a profit during the year (i.e., pre-tax profit before deducting the remuneration of employees and of directors and supervisors), no less than 2% of the current year's profit shall be allocated for employee remuneration and no more than 1.5% shall be allocated to remuneration of directors and supervisors. However, when the Company still has accumulated losses, it should reserve the compensation amount in advance. In addition, employee remuneration can be paid in stock or cash, and the recipients may include employees of controlling or affiliated companies who meet certain conditions.

If a surplus exists in the Company's yearly final accounts, taxes should first be paid to offset any prior deficits and 10% of the current surplus is to be set aside as legal reserve. In addition and in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act, for net deductions in other shareholders' equity incurred in the current year (such as exchange differences on translation of foreign financial statements, unrealized gains and losses of financial assets available for sale, benefits from hedging tools that are used in effective cash flow hedging, accumulated balance of losses, etc.) a special reserve is provided withdrawing the same amount of the current year's after-tax surplus and previous undistributed surplus. For the amount of other deductions from the shareholders' equity accumulated in previous periods, distribution shall not be made of the same amount of special reserve from the undistributed surplus from the previous periods. If there is a subsequent reversal of the amount of deduction from the shareholders' equity, the reversed portion of the surplus may be distributed.

The dividends policy of the Company aligns with current and future development plans and considers the investment environment, capital needs and domestic and foreign competition and takes into account the interests of shareholders and other factors. No less than 20% of the available surplus shall be allocated to distribute shareholder dividends each year. However, if the cumulative distributable surplus is less than 100% of the paid-in share capital, distribution may not be made.

The Company shall consider the environment and growth stage of the company, respond to future capital needs and long-term financial planning and meet shareholders' demand for cash inflows in formulating a surplus distribution plan based on the distributable surplus as stipulated in Article 24 and this shall be submitted to the Shareholders' Meeting for resolution. The total amount of cash dividends shall not be less than 10% of the total amount of dividends issued to shareholders and the maximum shall be 100%.

2. The proposed dividend distribution in the shareholder meeting

The Company's Earnings Distribution Proposal for 2022 as passed through a vote at the Board of Directors meeting dated April 19, 2023 is stated as follows:

Unit:NT$

| NOTES | AMOUNT |
|---|---|
| Unappropriated retained earnings, beginning of period | 399,122,412 |
| Add: Remeasurement of the defined benefit plan | 2,310,357 |
| Add: Reversal of appropriated retained earnings | 416,050,657 |
| Less: Provision for legal reserve（10%） | (41,836,101) |
| Net profits for the period | 775,647,325 |
| Distribution items: | |
| Shareholder cash dividends | (151,327,600) |
| Unappropriated retained earnings, end of period | 624,319,725 |

(VII) The impact of the proposed stock dividend in the shareholder meeting on the Company's operating performance and earnings per share: None.

(VIII)Remuneration for employees, directors, and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Articles of incorporation.

   The Company’s earning distribution may be made only after an earnings distribution proposal is drafted by the Board of Directors, and submitted to and approved by the Shareholders’ Meeting. No less than 2% of the current year's profit shall be allocated for employee remuneration and no more than 1.5% shall be allocated to remuneration of directors and supervisors

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

   The employee remuneration and director remuneration for 2021 stated on the financial statements was estimated based on the net profit before tax and employee remuneration and director remuneration in the amount of NTD430,891,605, of which NTD8,635,521 was appropriated as employee remuneration and NTD6,463,374 as director remuneration as required by Article 24 of the Articles of Incorporation, . If the actually distributed amount differs from the estimated amount, the differences are accounted for as a change in accounting estimates, and are recognized in profit or loss for 2022.

3. Information on any approval by the board of directors of distribution of compensation:

   (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors . If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Unit:NTD$

| Item | Amount distributed proposed by Board of Directors(A) | Amount estimated at the year in which expenses were recognized(B) | Discrepancy (A-B) |
|---|---|---|---|
| Stocks for employee | 0 | 0 | 0 |
| Cash for employee | 8,635,521 | 8,635,521 | 0 |
| Compensation for directors | 6,463,374 | 6,463,374 | 0 |

   As passed at the Board of Directors meeting dated April 19, 2023, the employee remuneration distributed was NTD8,635,521 and the director remuneration distributed was NTD6,463,374. There is no discrepancy from the amount recognized in the 2022 financial report.

   (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor

compensation, additionally the discrepancy, cause, and how it is treated.

Unit:NTD$

| Distribution of compensation in 2021 | | | | |
|---|---|---|---|---|
| Item | The amount of actual distribution | Amount estimated at the year in which expenses were recognized | Discrepancy | The reason of discrepancy |
| Employee compensation | 6,352,956 | 6,352,956 | 0 | None |
| Directors and supervisors compensation | 4,622,977 | 4,764,717 | (141,740) | Distributed was the maximum amount permitted by the Articles of Incorporation |

The director remuneration distributed was the maximum amount permitted by the Articles of Incorporation, and varied from the estimated amount stated on the financial statements for 2021 by NTD141,740, which be treated as a change in accounting estimates and recognized in profit or loss for 2022.

5. Policy and procedures for remuneration of individual director/supervisor: The standard for determining the remuneration of individual director is based on an evaluation carried out based on the Company’s Board of Directors Performance Evaluation Guidelines and the Regulations for Management of Remuneration of Director, and Manager. The evaluation criteria include the score of a director’s self-evaluation, times of participating in Board of Directors meeting, number of continuing education hours, and the extent of contribution to the Company’s performance, taking into account the Company’s overall business performance, future operational risks in the industry, and development trend. Reasonable remuneration is determined based on the evaluation results, and will be distributed after being approved by the Remuneration Committee and the Board of Directors.

(IX) Buy-back of the Company's shares: None

II. Issuance of Corporate Bonds: None

III. Preferred Shares: None

IV. Issuance of Global Depository Receipts: None

V. Employee Stock Option Plan: None

VI. Employee Restricted Stock: None

VII. Issuance of New Shares in Connection with Mergers or Acquisitions of Shares of Other Companies: None

VIII. Financing Planning and Implementation The Company has not issued or privately placed securities to for any financial plans in the most recent year.

# Five. Operation Overview

I. Business Activities

(I) Business scope

1. The Company's main business activities

The Company’s main business activities are the development, design, production, and sale of touch panels; the trades that the Company engages in as indicated on our business registration license are as follows:

| | |
|---|---|
| CC01110 | Computer and Peripheral Equipment Manufacturing |
| CC01120 | Data Storage Media Manufacturing and Duplicating |
| CC01080 | Electronics Components Manufacturing |
| F119010 | Wholesale of Electronic Materials |
| F219010 | Retail Sale of Electronic Materials |
| E603050 | Automatic Control Equipment Engineering |
| CB01010 | Mechanical Equipment Manufacturing |
| CC01010 | Manufacture of Power Generation, Transmission and Distribution Machinery |
| CC01020 | Electric Wires and Cables Manufacturing |
| CC01070 | Wireless Communication Mechanical Equipment Manufacturing |
| E603010 | Cable Installation Engineering |
| E604010 | Machinery Installation |
| F113010 | Wholesale of Machinery |
| F113020 | Wholesale of Electrical Appliances |
| F106010 | Wholesale of Hardware |
| F206010 | Retail Sale of Hardware |
| F213010 | Retail Sale of Electrical Appliances |
| F213060 | Retail Sale of Telecommunication Apparatus |
| F213080 | Retail Sale of Machinery and Tools |
| F401010 | International Trade |

All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. The proportion of the Company’s current products in consolidated revenues:

Unit: Thousand NT$

| Year / Item | 2021 | | 2022 | |
|---|---|---|---|---|
| | Net Revenue | % | Net Revenue | % |
| Touch Panel | 885,213 | 61.08 | 878,473 | 56.84 |
| Electromechanical Products | 564,078 | 38.92 | 667,173 | 43.16 |
| Total | 1,449,291 | 100.00 | 1,545,646 | 100.00 |

3. The Company's current major products:

(1) Projected capacitive touch panel (include GFF、G1F、GF1、G1、G1G、GG2)
(2) 4-Wire Resistive touch panel (include GF、IFFP)
(3) 5-Wire Resistive touch panel
(4) Touch Panel/Display Module Lamination

(5) Touch Monitor
(6) Electronics Paper Display Module Lamination
(7) In-vehicle touch screen button/heating film
(8) The above products are equipped with anti-reflective function and anti-glare function, and so are sunlight readable.
(9) Various cable joints for 69kV and 161kV XLPE cables
(10) Various cable terminations for 69kV and 161kV XLPE cables
(11) Various sheaths for 69kV and 161kV XLPE cables
(12) Various 69kV and 161 kV switchgear insulators

4. New products under plan to be developed:

(1) Touchless solutions
(2) Large-size 3D curved lamination
(3) Various cable joints and terminations for 345kV and 500kV XLPE cables

(II) Industry overview

1. Current state and development of the industry:

(1)Optoelectronic BG

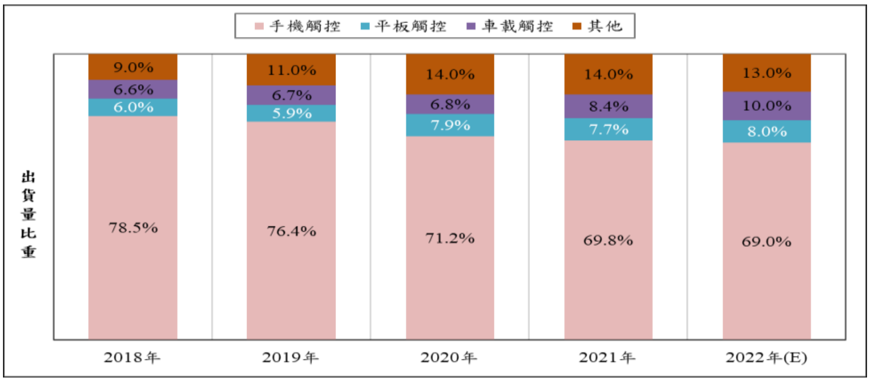
The prevailing touch panel applications can be seen in consumer electronics, roughly accounting for over 80% of total touch panel markets. Among such consumer products, those having greatest demands for touch panels are smart phones, tablet PCs, and particularly the increasingly popular wearable devices. Global shipments of wearable devices were 1206 million units in 2022, down 11% from 2021, as IDC pointed out. Global shipment of tablet PCs were 162 million units in 2022, up by 12% from 2021, as Strategy Analytics pointed out. And in non-consumer electronics, respectively as follows:

A. In-vehicle touch control:

According to the statistics of Marklines, global car shipment volume will grow 4.30% in 2021, to 8.1 million, and 6.17% in 2022, to 8.6 million. Such persistent growth is a result of both the increase in global car sales, and the year-by-year increase in the use of the number of in-vehicle panels due to the increase in the penetration rate of head-up displays and rearview mirrors, and the launch of new models of curved, uni-body, smart cockpit, video wall, OLED, Mini LED in-vehicle displays effected by the boom in the electric car industry and autonomous car industry. This is likely to drive up the demand for in-vehicle touch control panels. Therefore, the ratio of shipment volume of in-vehicle touch control panels to total shipment volume in 2022 will grow to 10.0%, the first time it has reached double digits.

B. Touch panels for other uses:

Thanks to notable increase in the demand for emerging electronic products, the digitalization of the catering industry, and the digitization of web advertisements, the market for new applications, including smartphones, smart speakers with a screen, smart vending machines, self-ordering kiosks, self-checkout POS systems, interactive billboards, and fitness mirrors, has boomed. The increase in such a diverse range of new products has driven up the demand for, and shipment volume of, touch control panels for other uses. However, impacted by the underperformed global economy as a result of inflation and interest rate hike in the second half of 2022, the demand from the business community is expected to dip to 13.0% in 2022, a level still considered relatively high for the past five years (see Figure 2 below for details).




Note: The tablets include detachable models.

Data source: Compiled from data from Omdia; GIS's 2020 annual report; Digitimes Research; IDC; Taiwan Industry Economics Services of the Taiwan Institute of Economic Research (TIER) (as of November 2022)

Figure 2: Running trend of the ratio of global touch control panel shipment volume

C. Sports and fitness industry

According to the statistics of SportsTech X, a sports tech market survey institution, the investment in sports tech made by global venture capital during January through June 2020 amounted to USD5 billion, surpassing USD3.44 billion in 2019 and the annual sales of either of the past five years. The number of investment projects of a "unicorn" level (i.e. reaching at least USD100 million) funded by venture capital totaled 14 in merely the first half of 2020, outstripping 10 in 2019 and 11 in 2018.

According to an estimate of Allied Market Research, a market research institute, the fitness equipment market was USD11.5 billion in 2019, and would grow steadily at 4.1% per annum, to USD15.2 billion in 2027.

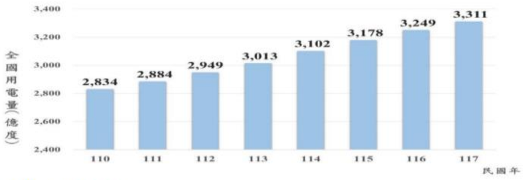
According to a report of The Business Research Company, the home fitness equipment market is expected to reach USD9.5 billion, that's NT$270 billion, in 2020, an annual growth rate of a whopping 40%. Adobe also forecast the home fitness trend to boost the sales of fitness equipment by 55% YoY from 2019, an increase level twice the size of that of traditional fitness market.

According to the statistics of the Ministry of Economic Affairs, the output value of sporting goods for domestic sale in 2020 reached 59.8 billion, hitting a record high for five years straight. Thanks to the increase in fitness demand from the European and US markets, the amount of exports in the first half of 2021 more than doubled from the same period in 2020, the largest leap ever seen in the past decade. The output value in 2021 is expected to break 60 billion.

According to the Worldwide Survey of Fitness Trends for 2022 published by The American College of Sports Medicine (ACSM) at the end of 2021, which is shown in Figure 3 below, "home exercise gyms" is the no.2 fitness trend for 2022; such trend is likely to spur the sales of home fitness equipment.

(2) Electromechanical BG

According to the National Electricity Supply and Demand Report for 2021 published by the Ministry of Economic Affairs, electricity consumption in 2021 grew 4.5%, dwarfing the average growth rate of 1.6% of the past decade (2012–2021), and the national electricity consumption will grow 2.3% per annum and the peak load 2.5% per annum during 2022 and 2028, as shown in Figure 3-2 below.




註：110 年為實績值。

圖 3-2 民國111~117年全國用電量預測結果

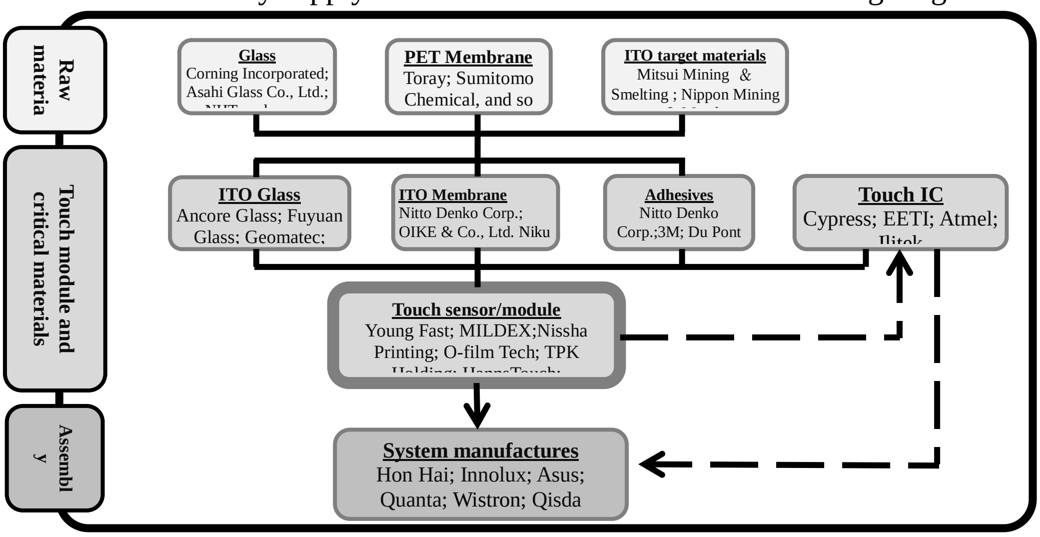
Therefore, on the supply side, the government aggressively promotes the installation of renewable energy capacity in line with its energy transition policy, and aims to supply 20GW of photovoltaic capacity, and 5.6GW of offshore wind capacity by 2025. In addition, to effectively fulfill its objectives of installing renewable energy capacity, the government further plans to add at least 2GW of photovoltaic capacity per annum starting from 2026, accelerate to couple the offshore wind power generation system to the power grid by September 2026, and have Taiwan Power Company install a biomass energy generator set with a capacity of 500MW by 2026. The government expects to gradually progress towards its objective of renewable energy making up 20% of its energy portfolio, starting from October 2026. With the plan to install 2GW of photovoltaic capacity and 1.5GW of offshore wind capacity per annum, the ratio of renewable energy is expected to reach 20% in 2027, and 23% in 2028.

Meanwhile, the government has also stepped up its pace of installing gas-fired generators and bettering the natural gas infrastructure. Gas-fired generators will be installed in Datan, Xingda, Senba, Taichung, Xiehe, and Tongxiao successively as planned. Considering the capacity of 18.84MW to be installed during 2022 and 2028, less the capacity of existing gas-fired generators to be retired due to expiration of useful lives, the capacity from gas-fired generators during 2022 and 2028 is expected to increase by 16.97MW.

2. The correlation among the upstream, midstream and downstream industries:

(1)Optoelectronic BG

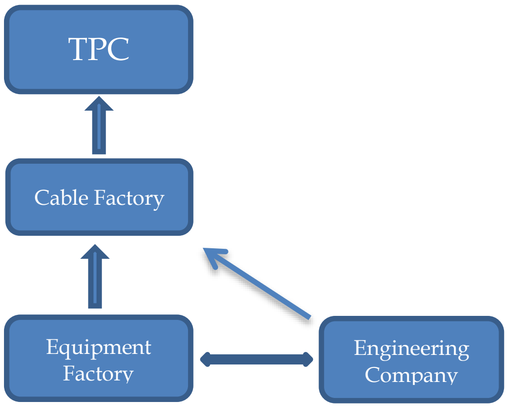
The touch industry supply chain can be illustrated in the following diagram:



The materials required for a touch panel include glass, PET membrane, ITO target materials, adhesives, and touch IC. By using such materials, touch panel manufacturers make touch sensors or touch modules and hand them to module manufacturers; or touch panel manufacturers delivery touch sensors to an IC foundry to make touch modules, which later are conveyed to module manufacturers for assembly. Either way, the end customer is the system manufacturer.

(2)Electromechanical BG

The industrial chain of power transmission and distribution equipment for high voltage cables is as follows:




Supply of power transmission and distribution equipment for high voltage cables is mainly for a procurement project of a power company, usually in the form of a tender for installation of cable, equipment, and wiring for which cable manufacturers bid. Therefore, equipment manufacturers will satisfy the needs of a cable manufacturer by offering a quotation inclusive of both labor cost and materials cost, i.e. they will fulfill the work undertaken by collaborating with engineering companies where necessary in response to various types of market demand.

3. Development trend and competition landscape:

(1) Replace ITO with new materials:

Although mobile devices are trending toward compactness, their screen size becomes even larger. Not only does the smart phone screen become larger, touch application is increasingly seen in notebook computers and AIO. In addition, as wearable devices become popular, their curved interface requires a touch panel material of which the resistivity and pliability requirements are higher than ITO while costs are lower than ITO.

Comparing ITO substitute materials

| Touch sensor | Metal mesh | Nano-Silver yarns |
|---|---|---|
| Sensor materials | Silver, copper | Silver |
| Sensor substrate | PET; COP; Glass | PET; Glass |
| Unit sensor graphics | Rectangle, rhombus, honeycomb, random | Random segmented wires |
| Addition - Display graphics | Exposure, lithography, electroplating, gravure printing | Not available |
| Subtraction - Display graphics | Lithography | Spray painting plus lithography development |
| Sensor stack-up | GFF; GF2 | GFF; GIF; GF |

(2) On-cell Touch AMOLED:

As smart hand-held devices flourish, their applications also trend toward light-weight, thinness, impact-resistance, and foldable. As wearable devices emerge, flexible display technology becomes one of the critical technologies, especially flexible AMOLED that attracts most attention, helping achieve lighter, thinner, and more energy efficient.

(3) Booming demands for 5D and 3D lamination:

Shapes become varying in the development of mobile phones, wearable devices, in-vehicle shape design, and lamination of touch sensors and 2.5D and 3D covers. For touch manufacturers, being capable of performing curved lamination enables comprehensive products and services for customers, and may earns the Company more orders if we develop business via vertical integration.

4. Competition overview

As the supply chain in China rose in recent years, the touch panel market became even heating, dragging down profits; quite a few medium- and small-size manufactures withdrew from the market, as were some medium- and large-size manufacturers. Heating competition in the touch panel market is expected to persist. Meanwhile, add-on touch panel manufacturers were facing competition from LCD panel manufacturers having the capacity to produce INCEE/ONCELL products. Only when the market mechanism of survival of the fittest is fully completed will the overall touch panel market return to a rational competition pattern.

The market of power transmission and distribution equipment for high voltage cables is an oligarchy market in Taiwan. In addition, a stringent certification process is required for each type of product, erecting a high entry barrier.

(III) Technology and R&D

1. R&D expenses invested during the most recent year or during the current year up to the date of publication of the annual report.

Unit: Thousand NT$;%

| Item | 2022 |
|---|---|
| R&D expense(A) | 41,092 |
| Revenue(B) | 1,545,646 |
| (A)／(B)% | 2.83% |

2. Technology or product successfully developed

Our critical product development results in the past year are as follows:

(1) Developed self-luminous e-paper touch control solutions, which were adopted by clients in their development projects.

(2) Completed the development of energy-saving self-luminous outdoor billboard through lamination of electronics paper, also improve the luminous efficiency and luminous uniformity.

(3)Completed the development of car demister heater; customers already launched a development project in this regard.

(4) Developed in-vehicle touch screen button solutions, which were adopted by clients in their development projects.

(5)Completed the development of resistive 5-wire high sintering touch panels, greatly prolonging the life of touch panels; applicable to 10.1”~24” products. The clients for 24” products already applied the solutions to their development projects.

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

1. Short-term business plan

(1) Business strategy

Concentrate and streamline each production base and internal organization to improve profitability; develop the products extended from sensors and perform vertical integration; raise the weight of non-consumer products; and promote products with processes we are good at. Also, make all employees aware of ESG and get a grasp of ESG issues of concern to ensure implementation of ESG; enhance company cyber-security and control measures and actively cultivate information security talents to lower the impact of information security risk on operations.

(2) Manufacturing strategy

Aside from industry-leading membrane touch products production technology, the Company also provides the industry with glass touch products, full lamination of touch screen, touch screen FATP and self-developed glass cover surface anti-glare and anti-reflection treatment, so as to provide industrial customers with a one-stop service that features high flexibility, little quantity, and diverse pattern.

Being a standardized product of TPC, electromechanical products are produced under a set schedule which satisfies the requirements of delivery date by factoring in the plan set out in a TPC tender, clients' requirements, and clients' manufacturing and delivery schedule.

(3) Marketing strategy

Develop toward medium- and large-size products and non-consumer customers; diversity customer segments in the consumer market. Concentrate technologies and processes on our already competitive ultra-thin bezel metal membrane products, which may be shipped with some of the single-layer multi-point touch designs to enable highly customized products for customers. Integrate upstream and downstream manufacturers into cooperating with the Company in production at existing production bases, so as to provide a full range of services.

The Electromechanical Business Group will primarily act as a supporting engineering party which provides one-stop services to help cable companies bid for TPC tenders.

(4) Finance strategy

The Company's financial planning adopts a principle of stability, mainly aiming to meet our business requirements of risk hedging and funds allocation. Risk hedging mainly hedges exchange rate risks in order to lower the impact of exchange rate changes on the Company's profitability; we also effectively use idle funds for a diverse range of investment.

2. Long-term business plan

(1) Business strategy

With a sound business foundation, the Company persists in diversified development, pursues operating and non-operating opportunities for growth; Meanwhile, we also implement and value ESG performance to create long-term value for stakeholders, to best lower the risk facing the Company due to market environment changes, and to achieve the goal of sustainable development.

(2) Manufacturing strategy

Actively apply for patents for touch products; form a strategic alliance with upstream and downstream manufacturers to jointly produce and develop new materials and new technologies; provide services that are more flexible and more highly integrated than those available on the market; and seek technological breakthrough that would bring opportunities on new markets.

(3) Marketing strategy

Transition product sales to medium- and large-size products and non-consumer customers; focus on the opportunities arising from in-vehicle applications, electronics paper, and stay-at-home economy; enhance the scope of joint development with customers to be close to the global market, thereby strengthening competitive edges and improving profits.

(4) Finance strategy

Effectively manage assets to improve investment gains; refine financial structure to improve the Company's capability of providing the funds required for long-term business development, so as to enrich the Company's business strength.

## II. Market and Production and Sales Overview

### (I) Market analysis

1. Sales area of the Company's major products

Unit: Thousand NT$

| Sales Area | 2021 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Domestic sales | 1,276,880 | 88.10 | 1,290,633 | 83.50 |
| Export | 172,411 | 11.90 | 255,013 | 16.50 |
| Total | 1,449,291 | 100.00 | 1,545,646 | 100.00 |

2. Market share

Although the mobile phone market is the largest market for touch panels, the Company only took orders for strategic purpose in the past few years, lowering the weight of revenue derived from such a market. Total shipments of touch panels not for mobile phone's use account only a small percentage of global shipments.

3. Future supply and demand of the market

Smart phones and tablet PCs will underpin the shipments of the touch industry in the future. In 2023, the global market for smart phones and tablet computers will dip slightly compared with 2022 while the global market for in-vehicle applications and industrial control applications will maintain its growth.

4. Competitive Niche

(1) High-end advanced process

The continuous roll-to-roll lithography process can effectively and steadily produce a membrane sensing layer with a linewidth (space width) at 15μm(10um); complemented by automatic CCD alignment for the membrane laser process, the production capacity for products with a linewidth (space width) at 25μm(25um) will be improved; the automatic typesetting monolithic glass process enables the equipment to automatically seize the glass and align it with the large typography glass, thereby improving the efficiency in producing monolithic glass sensors; automatic optical inspection (AOI) equipment detects the circuit of sensors with a graphic system, reducing human errors.

(2) Stabilize the financial structure

Operating under the philosophy of sustainable management, the Company prudentially reviews accounts, gets a good grasp to cash flows, and addresses destabilizing factors in real time, so as to maintain a good financial credit, reduce financial abnormality, and become and reliable partner to our customers and suppliers.

5. Competitive edge and favorable and unfavorable factors of development and corresponding tactics.

(1) Favorable:

A. Advantages of membrane touch panels

The membrane products that the Company focuses on, due to their compactness and flexibility that fit the development trend of the terminal product market, have become one major option for touch panel applications.

B. Co-prosper with strategic partners

The Company is able to tap into more areas and consolidate our market presence, given our development in new materials such as metal mesh and nano-Silver yarns and touch ICs as well as our strategic alliance with upstream and downstream suppliers.

(2) Unfavorable & Corresponding tactics

A. Excessive investment in the touch market

Because over the past few years competitors from different industries (e.g., glass manufacturers and LCD manufacturers) have branched out into the touch panel market, resulting in excessive investment in the touch market, dragging down the unit price of product on the market. The Company also adjusted our business scale by embracing advanced processes, targeting high-end product markets, and reducing the percentage of products already facing excessive competition.

B. The technology for INCELL and ONCELL embedded touch panels gradually matures

Due to technological materiality, posting a competition threat to add-on touch panel manufacturers. As so, aside from focusing on the processes we are good at, the Company engages in development of new technologies, avoids the risk of engaging in unfamiliar touch technologies, and taps into the market for large- and medium-size non-consumer products.

C. Foreign exchange fluctuation

The Company's trade receivables are mainly denominated in USD. As such, any change in the exchange rate will impact our revenue and cost, thereby is a risk factor for our profitability. Given that, the Company uses exchange rate hedging tools and increases our position of natural hedging in the hope to reduce exchange rate risk.

(II) Important application and production processes of major products

1. Important application of major products

Touch products have a variety of applications. In addition to being compatible with smart mobile devices, such as smart watches, smart phones, tablet computers, notebook computers, digital cameras, mobile video games, navigation devices, etc., they also go with stationary devices, such as credit card readers, AOI, medical equipment, industrial control equipment, automatic teller machines, ticket machines, sports equipment, printers and photocopiers, etc.

Electromechanical products are mainly used as cable joints, cable terminations, and protection gears for high voltage cables, and supplied as whole-unit equipment.

2. Production processes of major products

In terms of production, the Company produces membrane sensors using the roll to roll lithography process. Below is an example using GFF metal membrane products. From raw materials to a conductive pattern, each layer of conductive film undergoes the ITO etching and metal circuit etching. Each complete etching process involves photoresist, exposure, development, and etching. After both layer of conductive films are completed, they are roll cut into large pieces for lamination with the other; after lamination, they are pressed fit with the FPC, the component that connects the conductive circuit of a sensor to a product's driver. Lastly, they are laminated to a cover glass using OCA, a highly-transparent optical adhesive; an additional process that further laminates them to LCM is optional, and hence there is the touch module.

In terms of electromechanical products, raw materials are imported from Japan and manufactured into cable terminations, cable joints, and protection gears through various processes (e.g. casting, hardening, grinding, diameter expansion, insulation molding, semiconductor molding, and various tests).

(III) Supply of major raw materials

| Major raw materials | Supplier | Supply situation |
|---|---|---|
| ITO Film, METAL Film | Nitto, OIKE, Rijiu | Good |
| Glass | LOT | Good |
| Epoxy resin; rubber raw materials for stress cones; silicon rubber for rubber components | Furukawa Electric Co.,Ltd | Good |

(IV) The names of suppliers and customers

1. The names of suppliers who have accounted for more than 10% of the total purchases in any of the most recent 2 years, their purchases amount and proportion, and the reasons for the increase or decrease.

Unit: Thousand NT$；%

| Item | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | As a percentage of net purchases for the year [%]. | relationship with the issuer | Name | Amount | As a percentage of net purchases for the year [%]. | relationship with the issuer |
| 1 | A | 177,287 | 19.61% | None | A | 118,783 | 17.94% | None |
| 2 | B | 109,386 | 12.10% | None | C | 110,024 | 16.61% | None |
| 3 | C | 104,811 | 11.59% | None | D | 91,744 | 13.85% | None |
| | Other | 512,740 | 56.70% | None | Other | 341,657 | 51.59% | None |
| | Net purchases | 904,224 | 100.00% | | Net purchases | 662,208 | 100.00% | |

<u>The reasons for the increase or decrease:</u>

Supplier A that accounts for more than 10% of the Company’s total purchase in 2021 and 2022 is LCM Supplier for optoelectronics products, Suppliers B and Supplier C and Supplier D mainly supplies the Company with CSJ rubber components for the electromechanical products.

2. The names of customers who have accounted for more than 10% of the total sales in any of the most recent 2 years, their sales amount and proportion, and the reasons for the increase or decrease.

Unit: Thousand NT$；%

| Item | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | As a percentage of net sales for the year [%]. | relationship with the issuer | Name | Amount | As a percentage of net sales for the year [%]. | relationship with the issuer |
| 1 | A | 465,710 | 32.13% | None | A | 306,191 | 19.81% | None |
| 2 | | | | None | B | 171,177 | 11.07% | None |
| 4 | Other | 983,581 | 67.87% | None | Other | 1,068,278 | 69.12% | None |
| | Net sales | 1,449,291 | 100.00% | None | Net sales | 1,545,646 | 100.00% | None |

<u>The reasons for the increase or decrease:</u>

Due to the percentage of revenue form electromechanical products in 2022 increased, Customer B became one of the accounted for more than 10% of the total sales in 2022.

(V) Production quantity and amount for the most recent two years

Unit: Quantity set; Touch Panel: Thousand PCS; Amount: Thousand NT$

| Year / Production quantity &Amount / Main Production | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Capacity | Production quantity | Production amount | Capacity | Production quantity | Production amount |
| Touch Panel | 1,987 | 1,709 | 857,928 | 1,596 | 1,157 | 720,842 |
| electromechanical products | 4,248 | 3,721 | 307,858 | 4,407 | 4,164 | 361,419 |
| Total | 11,526 | 5,430 | 1,165,786 | 6,003 | 5,321 | 1,082,261 |

(VI) Sales quantity and amount for the most recent two years

Unit: Quantity: set; Touch Panel: Thousand PCS; Amount: Thousand NT$

| Sales quantity and Amount / Main Production | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic | | Export | | Domestic | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Touch Panel Module | 597 | 656,034 | 1,734 | 225,483 | 300 | 620,425 | 825 | 248,470 |
| Electromechanical Products | 2,178 | 536,134 | 0 | 0 | 2,403 | 638,048 | 24 | 346 |
| Other | NA | 30,190 | NA | 1,450 | NA | 32,160 | NA | 6,197 |
| Total | 2,775 | 1,222,358 | 1,734 | 226,933 | 2,703 | 1,290,633 | 849 | 255,013 |

III. The Number of Employees for the Most Recent 2 Years, and during the Current Year up to the Date of Publication of the Annual Report, Their Average Years of Service, Age, and the Distribution of Education.

| Year | | 2021 | 2022 | Current year up to March 31, 2023 |
|---|---|---|---|---|
| Number of employees | Direct Labor | 39 | 40 | 45 |
| | Non-direct Labor | 85 | 84 | 86 |
| | RD | 21 | 20 | 20 |
| | Total | 145 | 144 | 151 |
| Average age | | 43.9 | 44.44 | 43.56 |
| Average years of service | | 11.54 | 11.82 | 11.26 |
| Distribution of Education % | Doctorate | 0 | 0 | 0 |
| | Master | 6.21 | 6.25 | 6.62 |
| | University and college | 57.93 | 56.25 | 53.64 |
| | High school | 28.28 | 29.86 | 27.82 |
| | Below high school | 7.58 | 7.64 | 11.92 |

IV. Information on Environmental Protection Expenditure:

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

## V. Labor Relation

(I) Employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures.

1. Employee welfare programs

The welfare measures provided by the Company include employee group insurance (which may cover employee dependents, spouses, and immediate family members, and comprises accident insurance, accident medical insurance, and hospitalization insurance, etc.), employee health check, year-end bonus, and employee stock options. In addition, an employee restaurant is set up to serves Chinese food or dinner for free. We also rent the basement of the adjacent plant for use of an employee parking lot. The Company has also established the Employee Welfare Committee, which is in charge of matters related to employee welfares, such as subsidies for marriage and funeral and childbirth; and bonuses for the three festivals and for birthday.

2. Employee continuing education and training

(1) Employee continuing education: We encourage employee to learn and develop their potentials in order to improve employee quality; establish and share organized education courses; and value and cultivate talents, so as to achieve sustainable development for the Company.

(2) Education and training: The Company provides employees with diverse training courses and good in-service education, including new employee orientation, on-job training courses, professional courses, and internal training courses or external training courses that are related to job duties, so as to cultivate talents who abound with professional competencies and embrace challenges.

A. Summary of employee continuing education and training in 2022

| Type of Course | Hours | Expense(NTD) |
|---|---|---|
| 1.Operation Management<br>2.EHS<br>3.Inventory Management<br>4.Information Management<br>5.Reguration of Listing Company<br>6.Professional Technology | 305.5 | 40,850 |

B. The managers continuing education and training overview in 2022(Excluding the on-the-job training courses for managers who concurrently serve as a director.)

| Tltle/Name | Date | Organizer | Course | Hours |
|---|---|---|---|---|
| Assistant VP/Accountant | 2022/03/14 ~ 2022/03/23 | Accounting Research and development Foundation | Professional Workshop for in-service Accounting Officers of an Issuer, Security Dealer, and TWSE who Assumed the Job for the First Time | 30 |
| Assistant VP/ Audit room Tehsiu Shen | 2022/10/24 | The Institute of Internal Auditors-Chinese Taiwan | Prevailing Practices of Audit of the Materials System of the Manufacturing Industry | 6 |
| | 2022/11/11 | Securities & Futures Institute | Corporate Governance Operation in Practice, and Case Study | 6 |

C. Information on personnel having to do with financial transparency who have acquired related licenses as required by the competent authority: The Company’s personnel having to do with financial transparency have all acquired the Competency Test Qualification Certificate from the Accounting Research and Development Foundation, The Institute of Internal Audit - Chinese Taiwan, and the Securities Development Foundation.

3. Retirement systems and implementation

To give employee a peaceful retirement life, the Company has established the Employee Retirement Regulations and the Supervisory Committees of Workers' Retirement Reserve Funds. As required by the Labor Standards Act, the Company regularly makes a contribution equal to 2% of employees monthly salary to a dedicated account with the Bank of Taiwan (formerly known as Central Trust of China). At the end of each year, we commission an actuary to perform an appraisal to ensure that the pension is sufficient to meet liabilities. The Labor Pension Act was effective on July 1, 2005. For those elected to apply the Labor Pension Act, the Company makes a monthly contribution of no less than 6% of an employee’s monthly salary to the retirement fund account, and handles retirement matters according to the Labor Pension Act. As of the end of December 2022, the cumulative amount in the retirement reserve funds was NTD11,156 thousand; in addition, the pension allocated as required by the Labor Pension Act in 2022 totaled NTD4,794 thousand.

4. Labor-management agreements

All of the Company’s regulations are in line with the Labor Standards Act. We also regularly hold employer-employee meetings to actively negotiate employer-employee matters with the union of each factory.

5. Employee rights protection measures:

The Company has a complete documentation system, which makes available the various internal regulations stipulating employee’s rights, obligations, and welfares. The contents of welfare are regularly reviewed to ensure employees’ rights.

(II) Losses incurred due to labor-management disputes in the most recent year and in the current year up to the date of the publication of the annual report (including violations of the Labor Standards Act resulted from labor inspection, the date, content, and reference number of the penalty, the provisions and contents of the laws and regulations violated should be listed) and disclose the estimated amount and corresponding measures that may occur at present and in the future : None.

VI. Cyber Security Management

(I) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

To ensure that all information security risks facing the Company can be effectively identified and controlled, the Company formulated information security policy in our Information Security Regulations in April 2019, and established the Information Security team in February 2022, which takes charge of coordinating the formulation and implementation, of policy regarding information security and protection, and managing relevant risks. In addition, the President regularly reports the status of information security to the Board of Directors every year. From 2022 on, information security personnel shall receive no less than 6 hours of professional information security trainings every year. We also regularly disseminate our information security requirements and require that all employee receive at least 1 hour of information security training every year.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company’s information system was attacked by hackers during the Spring festival in 2022, though resulting in no significant impact on our business of financial matters because we instantly initiated related protection mechanism, back-up operation, and recovery operation. However, after that incident, the Company has reviewed and enhanced existing information security structure and fully upgraded our cyber-security levels to protect the safety and integrity of our data.

VII. Important Contracts:

April 1, 2023

| Nature of the contracts | The parties involved | Contract start and end date | Main content | Restriction clause |
|---|---|---|---|---|
| Lease | Hold-Key Electric Wire & Cable Co., Ltd. | 2022.4.1~ 2026.12.31 | Factory lease (LRM) | None |
| | | 2023.3.1~ 2026.12.31 | Parking lots | |

## Six. Finance Overview

I. Condensed Balance Sheets and Comprehensive Income Statements for the Most Recent 5 Years

(I) Condensed balance sheets and comprehensive income statements - IFRS

1. Condensed balance sheets (consolidated)

Unit: Thousand NT$

| Item \ Year | | Financial information for the most recent 5 years (Note1) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current assets | | 2,938,763 | 3,458,281 | 3,475,403 | 4,208,976 | 4,366,800 |
| Property, plant and equipment | | 998,118 | 912,056 | 864,506 | 868,016 | 870,838 |
| Intangible assets | | 0 | 0 | 0 | 6,060 | 5,172 |
| Other assets | | 736,876 | 813,194 | 875,036 | 977,518 | 1,039,050 |
| Total assets | | 4,673,757 | 5,183,531 | 5,214,945 | 6,060,570 | 6,281,860 |
| Current liabilities | Before distribution | 350,077 | 402,918 | 416,070 | 528,869 | 370,808 |
| | After distribution | 425,741 | 523,980 | 567,398 | 710,462 | Not yet distributed |
| Non-current liabilities | | 26,948 | 52,971 | 116,554 | 248,204 | 258,398 |
| Total liabilities | Before distribution | 377,025 | 455,889 | 532,624 | 777,073 | 629,206 |
| | After distribution | 452,689 | 576,951 | 683,952 | 958,666 | Not yet distributed |
| Equity attributable to shareholders of the parent company | | 4,262,104 | 4,690,766 | 4,638,005 | 5,229,583 | 5,591,333 |
| Capital stock | | 1,513,276 | 1,513,276 | 1,513,276 | 1,513,276 | 1,513,276 |
| Capital surplus | | 2,289,039 | 2,289,039 | 2,228,508 | 2,077,180 | 2,001,516 |
| Retained earnings | Before distribution | 111,554 | 168,896 | 296,989 | 576,376 | 888,808 |
| | After distribution | 35,890 | 108,365 | 296,989 | 470,447 | Not yet distributed |
| Other equity | | 348,235 | 719,555 | 599,232 | 1,062,751 | 1,187,733 |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interests | | 34,628 | 36,876 | 44,316 | 53,914 | 61,321 |
| Total equity | Before distribution | 4,296,732 | 4,727,642 | 4,682,321 | 5,283,497 | 5,652,654 |
| | After distribution | 4,221,068 | 4,606,580 | 4,530,993 | 5,101,904 | Not yet distributed |

Note 1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA,

Note 2: The consolidated financial information for the first quarter of 2022 has been reviewed by CPA.

Note 3. The Company did not revalue our assets in any of the above years.

Note 4: The amounts after distribution mentioned above are based on the resolution of the following year's shareholders' meeting.

Note 5: The above financial data is not modified or restated.

2. Condensed comprehensive income statement - IFRS (consolidated)

Unit: Thousand NT$

| Item \ Year | Financial information for the most recent 5 years (Note1) | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating revenues | 738,793 | 913,081 | 926,478 | 1,449,291 | 1,545,646 |
| Operating gross profits (losses) | 101,120 | 142,087 | 184,733 | 281,567 | 408,242 |
| Operating profits (losses) | (109,458) | (64,147) | (10,354) | 54,091 | 200,622 |
| Non-operating income and expense | 252,602 | 202,600 | 222,113 | 210,411 | 249,314 |
| Net profits (losses) before tax | 143,144 | 138,453 | 211,759 | 264,502 | 449,939 |
| Net profits (losses) for the period from continuing operations | 130,872 | 143,028 | 204,268 | 234,529 | 433,870 |
| Net profits (losses) for the period from discontinued operations (註 3) | (7,804) | (7,103) | (2,760) | 61,936 | 0 |
| Net profits (losses) for the period | 123,068 | 135,925 | 201,508 | 296,465 | 433,870 |
| Other comprehensive income for the period (Net after tax) | 123,015 | 370,649 | (120,008) | 463,476 | 127,292 |
| Total comprehensive income for the period | 246,083 | 506,574 | 81,500 | 759,941 | 561,162 |
| Net profits attributable to shareholders of the parent | 118,978 | 133,677 | 188,309 | 279,430 | 416,051 |
| Net profits attributable to non-controlling interests | 4,090 | 2,248 | 13,199 | 17,035 | 17,819 |
| Comprehensive income attributable to shareholders of the parent | 241,993 | 504,326 | 68,301 | 742,906 | 543,343 |
| Comprehensive income attributable to non-controlling interests | 4,090 | 2,248 | 13,199 | 17,035 | 17,819 |
| Earnings per share | 0.79 | 0.88 | 1.24 | 1.85 | 2.75 |

Note 1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Note 2: The consolidated financial information for the first quarter of 2023 has been reviewed by CPA.

Note 3: Loss from discontinued operations is presented at the amount net of income tax.

Note 4: The above financial data is not modified or restated.

(II) Condensed balance sheets and comprehensive income statements – GAAP(ROC)

1. Condensed balance sheets - GAAP(ROC)

Unit: Thousand NT$

| Item \ Year | | Financial information for the most recent 5 years (Note1) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current assets | | 2,996,584 | 3,434,801 | 3,462,263 | 4,134,084 | 4,176,957 |
| Property, plant and equipment | | 396,903 | 397,696 | 404,773 | 428,237 | 430,060 |
| Intangible assets | | 0 | 0 | 0 | 6,060 | 5,172 |
| Other assets | | 1,198,370 | 1,245,742 | 1,190,214 | 1,297,452 | 1,583,366 |
| Total assets | | 4,591,857 | 5,078,239 | 5,057,250 | 5,865,833 | 6,195,555 |
| Current liabilities | Before distribution | 312,129 | 352,809 | 338,225 | 463,224 | 428,110 |
| | After distribution | 387,793 | 473,871 | 489,553 | 644,817 | Not yet distributed |
| Non-current liabilities | | 17,624 | 34,664 | 81,020 | 173,026 | 176,112 |
| Total liabilities | Before distribution | 329,753 | 387,473 | 419,245 | 636,250 | 604,222 |
| | After distribution | 405,417 | 508,535 | 570,573 | 817,843 | Not yet distributed |
| Equity attributable to shareholders of the parenther | | 4,262,104 | 4,690,766 | 4,638,005 | 5,229,583 | 5,591,333 |
| Capital stock | | 1,513,276 | 1,513,276 | 1,513,276 | 1,513,276 | 1,513,276 |
| Capital surplus | | 2,289,039 | 2,289,039 | 2,228,508 | 2,077,180 | 2,001,516 |
| Retained earnings | Before distribution | 111,554 | 168,896 | 296,989 | 576,376 | 888,808 |
| | After distribution | 35,890 | 108,365 | 296,989 | 470,447 | Not yet distributed |
| Other equity | | 348,235 | 719,555 | 599,232 | 1,062,751 | 1,187,733 |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Total equity | Before distribution | 4,262,104 | 4,690,766 | 4,638,005 | 5,229,583 | 5,591,333 |
| | After distribution | 4,186,440 | 4,569,704 | 4,486,677 | 5,047,990 | Not yet distributed |

Note 1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Note 2: The Company did not revalue our assets in any of the above years.

Note 3: The amounts after distribution mentioned above are based on the resolution of the following year's shareholders' meeting.

Note 4: The above financial data is not modified or restated.

2. Comprehensive income statements – GAAP(ROC)

Unit: Thousand NT$

| Year / Item | Financial information for the most recent 5 years (Note1) | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating revenues | 740,101 | 917,078 | 929,178 | 1,452,295 | 1,548,855 |
| Operating gross profits (losses) | 96,385 | 94,674 | 182,748 | 241,102 | 336,139 |
| Operating profits (losses) | (40,243) | (50,143) | 24,457 | 62,480 | 172,064 |
| Non-operating income and expense | 172,293 | 177,301 | 160,554 | 234,600 | 243,729 |
| Net profits (losses) before tax | 132,050 | 127,158 | 185,011 | 297,080 | 415,793 |
| Net profits (losses) for the period from continuing operations | 0 | 133,677 | 188,309 | 279,430 | 416,051 |
| Net profits (losses) for the period from discontinued operations (Note2) | 0 | 0 | 0 | 0 | 0 |
| Net profits (losses) for the period | 118,978 | 133,677 | 188,309 | 279,430 | 416,051 |
| Other comprehensive income for the period (Net after tax) | 123,015 | 370,649 | (120,008) | 463,476 | 127,292 |
| Total comprehensive income for the period | 241,993 | 504,326 | 68,301 | 742,906 | 543,343 |

Note1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Note2: Profit (loss) from discontinued operations and Profit (loss) from continuing operations are both presented at the amount net of income tax.

Note3: The above financial data is not modified or restated.

(III) The name of CPA for the most recent 5 years and the audit opinions

The name of CPA for the most recent 5 years and the audit opinions

| Year | CPA firm | The name of CPA | Audit opinion |
|---|---|---|---|
| 2018 | Deloitte and Touche | Jingting Yang、Qingzhen Yang | An unqualified opinion |
| 2019 | KPMG | Chunxiu Guan、Boshu Huang | An unqualified opinion |
| 2020 | KPMG | Chunxiu Guan、Boshu Huang | An unqualified opinion |
| 2021 | KPMG | Chunxiu Guan、Boshu Huang | An unqualified opinion |
| 2022 | KPMG | Chunxiu Guan、Boshu Huang | An unqualified opinion |

II. Financial Analysis for the Most Recent 5 Years

(I) Financial analysis for the most recent 5 years

1. Financial analysis for the most recent 5 years-IFRS

| Analysis Item \ Year | | Financial information for the most recent 5 years (Note1) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Capital structure % | Debts to assets ratio | 8.07 | 8.79 | 10.21 | 12.82 | 10.02 |
| | Long-term capital to property, plant, and equipment ratio | 433.18 | 524.16 | 555.10 | 637.28 | 678.78 |
| Liquidity % | Current ratio | 839.46 | 858.31 | 835.29 | 795.84 | 1177.64 |
| | Quick ratio | 807.67 | 828.67 | 784.93 | 730.78 | 1110.49 |
| | Interests coverage multiplier | 31,286.06 | 11,833.31 | 5,159.95 | 8,238.52 | 12,973.71 |
| Operating performance | Accounts receivable turnover rate (times) | 5.29 | 5.37 | 4.35 | 5.48 | 5.62 |
| | Average collection days | 69 | 68 | 84 | 67 | 65 |
| | Inventory turnover rate (times) | 2.81 | 3.95 | 3.13 | 3.39 | 2.94 |
| | Accounts payable turnover rate (times) | 5.41 | 7.15 | 5.54 | 8.10 | 8.75 |
| | Average sales days | 130 | 92 | 117 | 108 | 124 |
| | Property, plant and equipment turnover rate (times) | 0.71 | 0.96 | 1.04 | 1.67 | 1.78 |
| | Total assets turnover rate (times) | 0.16 | 0.19 | 0.18 | 0.26 | 0.25 |
| Profitability | Return on assets (%) | 2.69 | 2.78 | 3.94 | 5.30 | 7.08 |
| | Return on equity (%) | 2.84 | 2.96 | 4.00 | 5.61 | 7.61 |
| | Profits before tax to paid-in capital (%) | 9.46 | 9.15 | 13.99 | 17.48 | 29.73 |
| | Net profits margin (%) | 16.66 | 14.89 | 21.75 | 20.46 | 28.07 |
| | Earnings per share (NT$) | 0.79 | 0.88 | 1.24 | 1.85 | 2.75 |
| Cash flow | Cash flow ratio (%) | (8.30) | 4.09 | 33.68 | 11.22 | 119.86 |
| | Cash flow adequacy ratio (%) | (10.32) | (20.94) | 11.77 | 21.37 | 91.91 |
| | Cash flow reinvestment ratio (%) | (0.85) | (0.66) | 0.22 | (0.99) | 2.78 |
| Leverage | Operating leverage | (0.75) | (2.18) | (20.85) | 5.32 | 2.25 |
| | Financial leverage | 0.99 | 0.98 | 0.71 | 1.06 | 1.02 |

| |
|---|
| Please explain the reasons for the changes in various financial ratios for the most recent 2 years: (increase or decrease is more than 20%)<br>1. Decrease in debt to asset ratio: Mainly due to no more short-term loans and total liabilities decreased.<br>2. Increase in Current ratio and Quick ratio: Due to the increase in current assets resulting from increase in demand deposits, and decrease in current liabilities resulting from repay the loan.<br>3. Increase in interest coverage multiplier: Due to the increase in net profit before tax and dividends.<br>4. Increase in the various ratios of profitability: Mainly due to increase in non-operating revenue and the Company's main business profit increased compared with the previous year<br>5. Increase in the various ratios of Cash flow: Mainly due to increase in net cash inflow from operating activities.<br>6. Decrease in operating leverage: Mainly due to net operating profits in 2022 growth compared with the previous period. |

Note 1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Note 2: The consolidated financial information for the first quarter of 2023 has been reviewed by CPA.

2. Financial analysis for the most recent 5 years-GAAP(ROC)

| Analysis Item \ Year | | Financial information for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Capital structure % | Debts to assets ratio | 7.18 | 7.63 | 8.29 | 10.85 | 9.75 |
| | Long-term capital to property, plant, and equipment ratio | 1078.28 | 1188.20 | 1165.84 | 1261.59 | 1341.08 |
| Liquidity % | Current ratio | 960.05 | 973.56 | 1023.66 | 892.46 | 975.67 |
| | Quick ratio | 941.20 | 956.10 | 990.40 | 844.09 | 936.16 |
| | Interests coverage multiplier | 28,869.06 | 10,903.57 | 23,371.82 | 39,292.61 | 36605.09 |
| Operating performance | Accounts receivable turnover rate (times) | 2.93 | 3.92 | 4.10 | 5.49 | 5.64 |
| | Average collection days | 124 | 93 | 89 | 66 | 65 |
| | Inventory turnover rate (times) | 9.28 | 10.39 | 6.89 | 6.21 | 5.09 |
| | Accounts payable turnover rate (times) | 5.63 | 7.98 | 5.55 | 6.32 | 5.22 |
| | Average sales days | 39 | 35 | 53 | 59 | 72 |
| | Property, plant and equipment turnover rate (times) | 1.69 | 2.31 | 2.32 | 3.49 | 3.61 |
| | Total assets turnover rate (times) | 0.16 | 0.19 | 0.18 | 0.27 | 0.26 |
| Profitability | Return on assets (%) | 2.64 | 2.78 | 3.73 | 5.13 | 6.91 |
| | Return on equity (%) | 2.86 | 2.99 | 4.04 | 5.66 | 7.69 |
| | Profits before tax to paid-in capital (%) | 8.73 | 8.40 | 12.23 | 19.63 | 27.48 |
| | Net profits margin (%) | 16.08 | 14.58 | 20.27 | 19.24 | 26.86 |
| | Earnings per share (NT$) | 0.79 | 0.88 | 1.24 | 1.85 | 2.75 |
| Cash flow | Cash flow ratio (%) | 54.48 | 3.78 | 35.85 | 7.52 | 87.62 |
| | Cash flow adequacy ratio (%) | (80.86) | (184.38) | 26.07 | 29.54 | 53.50 |
| | Cash flow reinvestment ratio (%) | 2.17 | (1.01) | 0.00 | (1.76) | 2.89 |
| Leverage | Operating leverage | (1.63) | (1.12) | 6.65 | 3.34 | 1.90 |
| | Financial leverage | 0.99 | 0.98 | 1.03 | 1.01 | 1.01 |

Please explain the reasons for the changes in various financial ratios for the most recent 2 years: (increase or decrease is more than 20%)

1. Increase in Average sales days: Mainly due to decrease in Inventory turnover rate resulting from some customers delayed delivery
2. Increase in the various ratios of profitability: Mainly due to increase in non-operating revenue and the Company's main business profit increased compared with the previous year
3. Increase in the various ratios of Cash flow: Mainly due to increase in net cash inflow from operating activities.
4. Decrease in operating leverage: Mainly due to net operating profits in 2022 growth compared with the previous period.

Note: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

1.Capital structure

(1) Debts to assets ratio = total liabilities/total assets

(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment

2. Liquidity

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance

(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/accounts receivable turnover rate

(3) Inventory turnover rate = costs of goods sold/average inventory

(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate

(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment

(7) Total assets turnover rate = net sales/average total assets

4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets

(2) Return on equity = net profits after tax/average total equity

(3) Net profits margin = net profits after tax/net sales

(4) Earnings per share = (net profits attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.

(2) Financial leverage = operating profits / (operating profits - interest expense).

III. Audit Committee’s review report of the financial statements for the most recent year: Please refer to page 104.

IV. Financial statements for the most recent year: Please refer to pages 115 to 188.

V. The stand-alone financial statements of the Company for the most recent year, audited and attested by CPA: Please refer to pages 189 to 253.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company’s financial status should be described: None.

## Young Fast Optoelectronics Co., Ltd.

## Audit Committee's Review Report

The Board of Directors prepared the Company's 2022 business report, financial statements (stand-alone and consolidated) and earnings distribution proposal. CPA Chunxiu Guan and Boshu Huang from KPMG have audited the financial statements (stand-alone and consolidated) and have issued an audit report. The above-mentioned business report, financial statements (stand-alone and consolidated) and earnings distribution proposal have been reviewed by the Audit Committee and no discrepancies have been found and a report was prepared for your review according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To The 2023 regular shareholder meeting of Young Fast Optoelectronics Co., Ltd.

Young Fast OptoelectronicsCo., Ltd.

Chairperson of the Audit Committee:

April 19, 2023

## Seven. Review and Analysis of Financial Status and Financial Performance and Risk

I. Financial Status

Unit: Thousand NT$

| Item \ Year | 2021 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 4,208,976 | 4,366,800 | 157,824 | 4 |
| Property, plant and equipment | 868,016 | 870,838 | 2,822 | 0 |
| Intangible assets | 6,060 | 5,172 | (888) | (15) |
| Other assets | 977,518 | 1,039,050 | 61,532 | 6 |
| Total assets | 6,060,570 | 6,281,860 | 221,290 | 4 |
| Current liabilities | 528,869 | 370,808 | (158,061) | (30) |
| Non-current liabilities | 248,204 | 258,398 | 10,194 | 4 |
| Total liabilities | 777,073 | 629,206 | (147,867) | (19) |
| Equity attributable to shareholders of the parent company | 5,229,583 | 5,591,333 | 361,750 | 7 |
| Capital stock | 1,513,276 | 1,513,276 | 0 | 0 |
| Capital surplus | 2,077,180 | 2,001,516 | (75,664) | (4) |
| Retained earnings | 576,376 | 888,808 | 312,432 | 54 |
| Other equity | 1,062,751 | 1,187,733 | 124,982 | 12 |
| Treasury stock | 0 | 0 | 0 | 0 |
| Non-controlling interests | 53,914 | 61,321 | 7,407 | 14 |
| Total equity | 5,283,497 | 5,652,654 | 369,157 | 7 |

The explanation is as follows: items with a more than 20% change and the amount of the change is more than NT$10 million between the previous and the current period

1. Current liabilities: Mainly due to the short-term loan has been fully repaid.
2. Retained earnings: Mainly due to increase in net profit after tax in 2022.

II. Financial Performance

(I) The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years

Unit: Thousand NT$

| Item \ Year | 2021 | 2022 | Increase (decrease) amount | Change (%) |
|---|---|---|---|---|
| Net operating revenues | 1,449,291 | 1,545,646 | 96,355 | 7 |
| Operating gross profits | 281,567 | 408,242 | 126,675 | 45 |
| Operating profits | 54,091 | 200,622 | 146,531 | 271 |
| Non-operating income and expense | 210,411 | 249,314 | 38,903 | 18 |
| Profits before tax | 264,502 | 449,936 | 185,434 | 70 |
| Net profits (losses) for the period from continuing operations | 234,529 | 433,870 | 199,341 | 85 |
| Profits (losses) from discontinued operations | 61,936 | 0 | (61,936) | (100) |
| Net profits (losses) | 296,465 | 433,870 | 137,405 | 46 |
| Net other comprehensive income | 463,476 | 127,292 | (336,184) | (73) |
| Comprehensive income for the period | 759,941 | 561,162 | (198,779) | (26) |

| Item \ Year | 2021 | 2022 | Increase (decrease) amount | Change (%) |
|---|---|---|---|---|
| Net profits attributable to shareholders of the parent company | 279,430 | 416,051 | 136,621 | 49 |
| Net profits attributable to non-controlling interests | 17,035 | 17,819 | 784 | 5 |
| Comprehensive income attributable to shareholders of the parent | 742,906 | 543,343 | (199,563) | (27) |
| Comprehensive income attributable to non-controlling interests | 17,035 | 17,819 | 784 | 5 |
| Earnings per share | 1.85 | 2.75 | 0.90 | 49 |

Analysis and explanation of increase or decrease % (items with a more than 20% change and the amount of the change is more than NT$10 million between the previous and the current period)

1. Operating gross profits& Operating profits& Profits before tax& Net profits for the period from continuing operations: Mainly due to increase in high gross profit product.
2. Profits (losses) from discontinued operations: The China-based subsidiary Loyal Motion Optoelectronics was liquidated and retired in 2021; due to the exchange rate effect, a profit was yield at the time of settlement.
3. Net profits (losses) for the period & Net profits attributable to shareholders of the parent: Due to increase in the profits from the Company's main business and non-operating revenue.
4. Net other comprehensive income for the period& Comprehensive income for the period& Comprehensive income attributable to shareholders of the parent: Mainly due to the decrease in unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income in 2022.

(II) Provide a sales volume forecast and the basis therefor, and the effect upon the company's financial operations as well as measures to be taken in response: Sale of touch panels in 2023 is expected to be roughly the same as 2022. For related market research and analysis, refer to Chapter 5, I, (II) Industry Overview 1. The industry's current state and development (Page 83).

## III. Cash Flow

### (I) Analysis of changes in cash flow for the most recent year

Unit: Thousand NT$

| Cash balance as of 2021.12.31(a) | Net cash flow from operating activities(b) | Net cash flow from investing and financing activities(c) | Exchange Rate Impact(d) | Cash flow from financing activities(e) | Cash surplus (insufficient) amount a+b+c+d+e |
|---|---|---|---|---|---|
| 358,053 | 444,435 | 23,100 | 66,060 | (345,146) | 546,502 |

In 2022, the Company's cash inflow from operating activities stood at NTD444,435 thousand. The net cash inflow from investing activities was NTD23,100 thousand, mainly due to received dividends of NTD152,407 thousand, time deposits over three months is NTD70,710 thousand, and investment in marketable securities is NTD42,759 thousand; The net cash outflow from financing activities stood at NTD345,146 thousand was mainly due to distribution of cash dividends in the amount of NTD181,593 thousand and repayment of short-term loans in the amount of NTD139,651 thousand. The cash balance at the end of year was NTD546,502 thousand.

### (II) Analysis of changes in cash flow for the most recent year

Unit:%

| Year / Item | 2021 | 2022 | Increase (decrease)% |
|---|---|---|---|
| Cash flow ratio | 11.22 | 119.86 | 968.27 |
| Cash flow adequacy ratio | 21.37 | 91.91 | 330.09 |
| Cash flow reinvestment ratio | (0.99) | 2.78 | 380.81 |
| Analysis and explanation of increase or decrease %:<br>Increase in cash flow ratio and cash flow adequacy ratio and cash reinvestment ratio: Due to cash inflow from operating activities in 2022. | | | |

### (III) Corrective measures to be taken in response to illiquidity : None.

### (IV) Analysis of cash liquidity for the coming year

Unit: Thousand NT$

| Cash balance as of 2022.12.31 | Estimated net cash flow from operating and investing activities | Estimated cash remaining (insufficient) amount |
|---|---|---|
| 546,502 | (138,843) | 407,659 |

1. Net cash flow from operating and investing activities: Calculated based on the estimated net cash inflow from operating activities in the following year; on the cash outflow from investing activities such as planned investment in marketable securities, equipment expenditure, and capital expenditure, and the expected cash dividends from investment; and on the expected shareholder dividends in 2023. It is expected that the cash inflow for the year will be NTD139 million.
2. Remedies for estimated cash shortfall: None.

## IV. Effect of Major Capital Expenditures on Finance and Business Matters in the Most Recent Year:
No major capital expenditure plans in 2022.

## V. Reinvestment Policy for the Most Recent Year, the Main Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year.

The Company's reinvestment policy mainly focuses on long-term investment in enterprises related to the industries in which the Company is in, and in other quality enterprise. In 2022, the revenue from investees did not change mush; the mainly profits came from the entities consolidated into the consolidated statements, and from Epoch Chemtronics Corp. The investment plan of the following year does not include any significant investment plan.

VI. Risk

(I) The impact of the changes in interest rate and exchange rate, and inflation on the Company's profitability and future corresponding measures

Unit: Thousand NT$

| Item | 2021 | | 2022 | |
|---|---|---|---|---|
| | Amount | Revenue% | Amount | Revenue% |
| Interest revenue | 293 | 0.02% | 3,600 | 0.23% |
| Interest expense | 932 | 0.06% | 722 | 0.05% |
| Exchange gain (loss) | 23,653 | 1.63% | (20,420) | (1.32%) |

1. The impact of the changes in interest rate on the Company's profitability and future corresponding measures

   In 2022, due to the appreciation of both the US dollar and the deposit market interest rate, the Company turned to hold more USD deposits, leading to a substantial increase in interest income compared with the previous year. In addition, the Company reduced its position in bank loans due to the rise of borrowing interest rate, resulting in a decrease in interest expense of NTD722 thousand from 2021. Interest income for 2022 and 2021 stood at NTD3,600 thousand and NTD293, respectively, roughly accounting for 0.23% and 0.02%, respectively, of net operating revenue. As such, the fluctuation in interest rate wouldn't significantly impact the Company's overall profits.

   Our financial structure is sufficient enoughs to cover daily operational needs. Despite so, we still maintain a good relationship with banks, so as to get a good grasp of the market at any time to obtain a reference for future financing facilitates.

2. The impact of the changes in exchange rate on the Company's profitability and future corresponding measures

   The Company had an exchange losses of NTD20,420 thousand in 2022, accounting for 1.32% of total annual operating revenue. This was mainly due to the appreciation in USD.

   Since the Company's income are mainly in USD and the payments are mainly in NTD, JPY, and USD, we strive to hold a position that is sufficient enough to achieve a natural hedging effect; in doing so, part of the exchange risks can be offset. In addition, the appreciation in USD in 2022 directly impacted the Company's revenue and profits. To lower the risk, we planned to increase USD assets and reduce USD liabilities. In doing so, the effect of exchange rate changes became less in 2022. In the future, the Company will always attend to the effect of macro economy on exchange rate for us to adopt necessary measures. When the exchange rate changes are relative large, we will adjust our prices appropriately and reallocate foreign currency deposits to other assets, so as to mitigate the effect of exchange rate changes on our profits.

3. The impact of the changes in inflation on the Company's profitability and future corresponding measures

   Inflation will impact product cost and operating cost. However, since our products are mainly for the use of consumer electronics, they are less subject to the economic cycle. In addition, the Company maintains a good cooperative relationship with customers and suppliers, and always attends to the fluctuation in raw materials prices on the market. As such, inflation so far does not have a significant impact on our profit or loss.

Some of the Company’s raw materials contain precious metal. Despite so , their cost accounts for only a mild ratio of the Company’s total production cost, and so wont’ be significantly affected by inflation. However, the Company will always attend to the raw material prices, and will adjust our products prices where necessary or use substitute raw materials, so as to lower the impact on the Company’s operations.

(II) Policies on high-risk, highly-leveraged investments, lending funds others, endorsement and guarantee, and derivatives transactions, major reasons for gain or loss, and future corresponding measures:

1. The Company focuses on our main business activities and does not engage in any high-risk or highly-leverage investments.
2. The endorsements, guarantees, and loaning of funds to others that were made by the Company in 2022 were made in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees” based on considerations of business needs and capital coast, and were timely and correctly disclosed.
3. The Company did not engage in any derivatives trading in 2022.

(III) Future R&D plans and estimated R&D expenses:

1. Future R&D plans
   (1) Completed a touch solution featuring ultra-low resistance, at 5 ohm/sq., through a self-developed conductive copper process.
   (2) Electromagnetic-capacitor integration single-sided board input solution
   (3) A touch solution for embedded electronics paper.
   (4) Outdoor flexibility touch solution
   (5) Various cable joints and terminations for 345KV and 500KV cables.
2. Estimated R&D expenses

   The Company’s research and development expenses for 2023 are estimated to be NTD47 million.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and corresponding measures

Aside from abiding by domestic laws and regulations, the Company also always attends to changes in policy and laws at home and abroad. As so the publication of this annual report, there was no change in laws or policy at home or abroad that had significantly impacted the Company's business or finance.

(V) The impact of important changes in technology or industry (include Cyber Security Risk) on the Company's finance and business and corresponding measures

1. Changes in technology or industry

   Profit margin in the touch panel market continued shrinking, given the price competition from the consumer products market. We are transitioning to products with high profit margins, such as medium- and large-size consumer electronics, high performance products, special performance products, ultra-large size products, and vertically integrated products. Though patent protection, factory capacity allocation, and resources consolidation, we strive to improve the Company's competitiveness, and to cope with the effect of industrial changes on the Company.

2. Cyber Security Risk

   The Company has an Information Security Team in charge of formulating and implementing information security and protection policy and managing risks. Aside from that, in terms of hardware, we have enhanced existing network infrastructure and fully upgrade cyber-security levels, to protect the safety and integrity of our data. In terms of software, we actively train related information security personnel, have them receive professional information security training ever year, regularly disseminate information security requirements, and train all employees on information security, so as to lower information security risk and reduce the impact on company’s finance and business with a comprehensive response plan.

(VI) The impact of change in corporate image on corporate crisis management and corresponding measures: None.

(VII) Expected benefits and possible risks of mergers and acquisitions in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.

(VIII) Expected benefits and possible risks of plant expansion in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.

(IX) Risks of concentrations of purchases or sales in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.

(X) The impact on the Company and risks of the massive transfer or change of shares of directors, supervisors or major shareholders with 10% stake or more in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.

(XI) The impact on the Company and risks of change in management rights in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.

(XII) Litigation or non-litigation events

List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

In October 2014, the Company filed a lawsuit with Taichung District for a provisional attachment to be imposed on WINTEK CORP. who was delinquent in the payment due to the Company. The court granted its approval; the amount to be attached was NTD180,000 thousand. However, in October 2014, WINTEK CORP. applied to Taichung District Court for reorganization on ground of financial difficulties. On October 5, 20, Taiwan High Court Taichung Branch Court rendered a final ruling that approved the reorganization. WINTEK CORP. obtained the Certificate of Final Ruling on December 13, 2018 for its reorganization plan. The reorganization was conducted according to the reorganization plan currently. In addition, the Company received the 1st, 2nd, and 3rd round of debt distribution proceeds in the amount of 16%, 6%, and 10% , respectively, of total debtor’s right on January 10, 2019, November 25, 2019, and November 25, 2021, respectively.

(XIII) Other major risks: None.

VII. Other Important Matters: None.

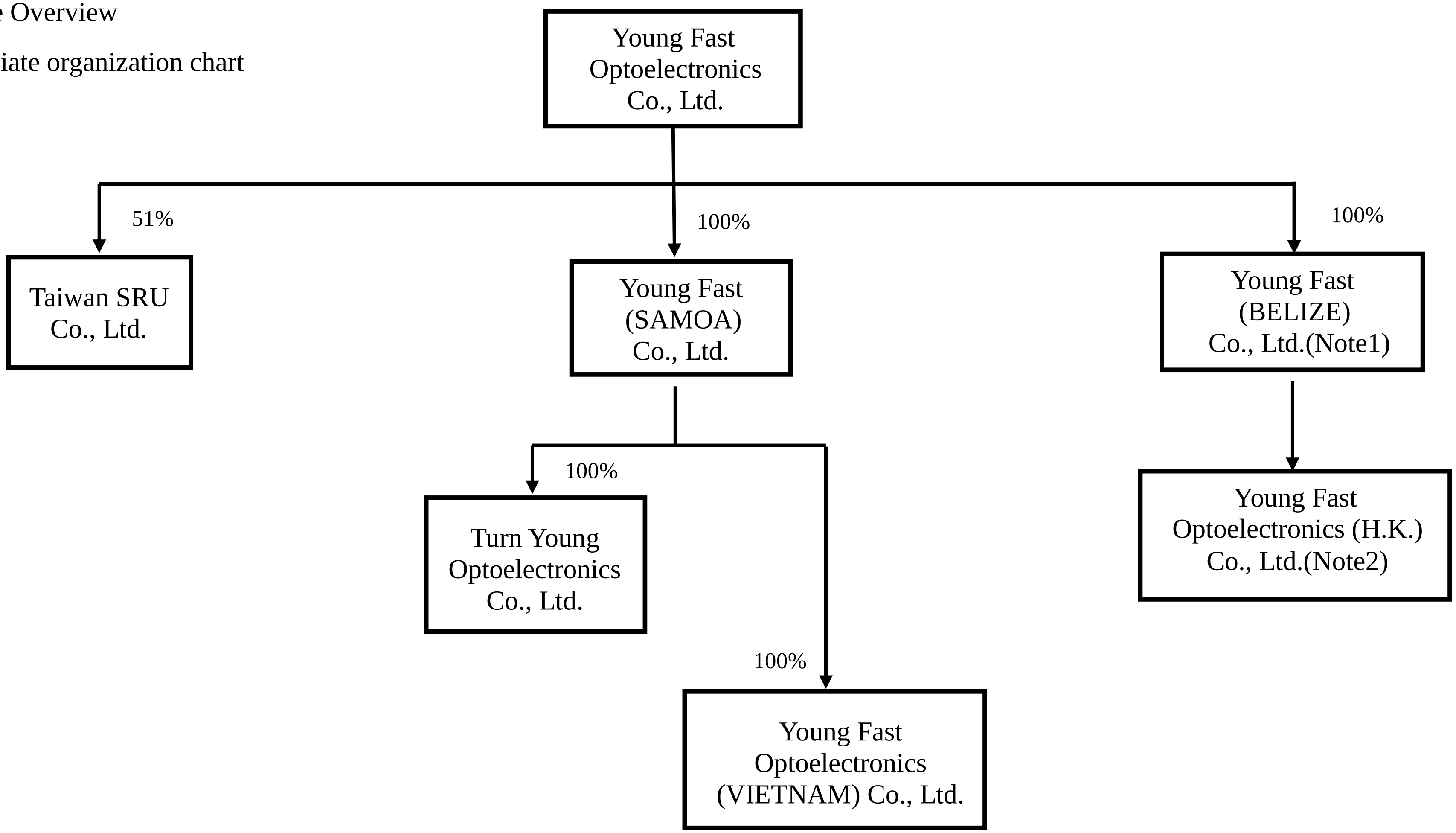
**Eight. Special Matters**

I. Information on the Company's Affiliates

(I) The consolidated business report of affiliates

1. Affiliate Overview

(1) Affiliate organization chart




Note1: Liquidation and retirement of Young Fast (BELIZE) Co., Ltd were completed on March 29, 2023.
Note2: Liquidation and retirement of Young Fast Optoelectronics (H.K.) Co., Ltd were completed on August 19, 2022

(2) Information on affiliates

December 31, 2022 Unit: Thousand NT$

| Enterprise name | Date of Incorporation | Address | Paid-in capital | Major business and production items |
|---|---|---|---|---|
| Taiwan SRU Co., Ltd. | 2007.04.18 | No. 24, Jingjian 5th Rd., Guanyin Dist., Taoyuan City.,Taiwan | NTD60,710 | Wire and cable auxiliary equipment |
| Young Fast (BELIZE) Co., Ltd. (Note1) | 2010.06.19 | 60 Market Square, P.O. Box 364, Belize City, Belize | USD100,000 | Investment |
| Young Fast Optoelectronics (H.K.) Co., Ltd. (Note2) | 2000.08.14 | FLAT/RM 803-4 8F WING SHAN TOWER 173 DES VOEUX RD CENTRAL H.K | HKD800,000 | Investment |
| Young Fast Optoelectronics (VIETNAM) Co., Ltd. | 2007.12.31 | LOT CN8, Thach That- Quoc Oai Industrial Park, Phung Xa Commune, Thach That Dist., HANOI, Vietnam | USD115,700 | Manufacturing and sales for touch panel |
| Young Fast (SAMOA) Co., Ltd. | 2012.11.02 | Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, P.O.Box 1868,Apia Samoa | USD43,000 | Investment |
| Turn Young Optoelectronics Co., Ltd. | 2019.05.21 | No. 16, 8F, Junhao International Commercial and Residential Building, No.2, 51 Avenue, Chenjiang Street Office, Zhongkai High-tech Zone, Huizhou, Guangdong, China. | USD150 | After-sales service for touch panel |

Note1: Liquidation and retirement of Young Fast (BELIZE) Co., Ltd were completed on March 29, 2023.
Note2: Liquidation and retirement of Young Fast Optoelectronics (H.K.) Co., Ltd were completed on August 19, 2022

(3) Information on the shareholders in common of the Company and affiliates presumed to be in a controlling and subordinate relation: None.

(4) Industries covered by the business of the overall affiliates: Mainly engaged in the production, sale, and services of touch panel and high-voltage wire and cable auxiliary equipment, investment holdings.

(5) Directors, Supervisors and the Head of affiliates

December 31, 2022 Unit: shares; %

| Enterprise name | Title | Name or representative | Shareholding | |
|---|---|---|---|---|
| | | | Capital | Shareholding % |
| Taiwan SRU Co., Ltd. | Chairman | FURUKAWA ELECTRIC CO., LTD..<br>Representative: Ishii Noboru | NTD29,750 | 49% |
| | Director | FURUKAWA ELECTRIC CO., LTD.<br>Representative: Ito Yukikazu | NTD29,750 | 49% |
| | Director | Young Fast Optoelectronics Co., Ltd.<br>Representative: Xinzheng Li | NTD30,960 | 51% |
| | Director | Young Fast Optoelectronics Co., Ltd.<br>Representative: Chihchiang Pai | NTD30,960 | 51% |
| | Supervisor | FURUKAWA ELECTRIC CO., LTD.<br>Representative: Minami Hisatoshi | NTD29,750 | 49% |
| Young Fast (BELIZE) Co., Ltd. (Note1) | Chairman | Young Fast Optoelectronics Co., Ltd.<br>Representative: Chihchiang Pai | USD100,000 | 100% |
| Young Fast Optoelectronics (H.K.) Co., Ltd. (Note2) | Chairman | Young Fast (BELIZE) Co., Ltd.<br>Representative: Yichuan Hsu | HKD800,000 | 100% |
| Young Fast Optoelectronics (VIETNAM) Co., Ltd. | Chairman | Young Fast (SAMOA) Co., Ltd.<br>Representative: Lichen Chin(Note3) | USD115,700 | 100% |
| Young Fast (SAMOA) Co., Ltd. | Chairman | Young Fast Optoelectronics Co., Ltd.<br>Representative: Fengyu Ho | USD43,000 | 100% |
| Turn Young Optoelectronics Co., Ltd. | Chairman | Young Fast (SAMOA) Co., Ltd.<br>Representative: Hsunkuo Lee | USD150 | 100% |

Note1: Liquidation and retirement of Young Fast (BELIZE) Co., Ltd were completed on March 29, 2023.

Note 2: Liquidation and retirement of Young Fast Optoelectronics (H.K.) Co., Ltd were completed on August 19, 2022

Note 3: Young Fast Optoelectronics (VIETNAM) Co., Ltd. Appointed Chin Li-Chen as its representative in February 2022.

2. Affiliate Operations Overview：

December 31, 2022 Unit: shares; %

| Enterprise name | Currency | Capital | Total assets | Total liabilities | Net worth | Revenues | Operating profits (losses) | Net profits (losses) after tax |
|---|---|---|---|---|---|---|---|---|
| Taiwan SRU Co., Ltd. | NTD | 60,710 | 227,657 | 81,956 | 145,701 | 135,035 | 52,212 | 43,621 |
| Young Fast (BELIZE) Co., Ltd.(Note1) | NTD | 3,000,130 | 529,540 | 0 | 529,540 | 0 | (68) | 9,986 |
| Young Fast Optoelectronics (H.K.) Co., Ltd. (Note2) | HKD | 0 | 0 | 0 | 0 | 0 | (59) | 4,523 |
| Young Fast Optoelectronics (VIETNAM) Co., Ltd. | USD | 115,700 | 28,567 | 2,737 | 25,830 | 15,943 | (714) | (25) |
| Young Fast (SAMOA) Co., Ltd. | NTD | 1,667,947 | 875,873 | 2,566 | 873,307 | 0 | (3,139) | (25,541) |
| Turn Young Optoelectronics Co., Ltd. | RMB | 1,033 | 694 | 123 | 571 | 903 | 23 | 97 |

Note1: Liquidation and retirement of Young Fast (BELIZE) Co., Ltd were completed on March 29, 2023.
Note2: Liquidation and retirement of Young Fast Optoelectronics (H.K.) Co., Ltd were completed on August 19, 2022

(II) Consolidated financial statement: None.

(III) Affiliation report: None.

II. Private Placement of Securities during the Most Recent Year or during the Current Year up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Year or during the Current Year up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Additional Explanation: None.

V. If Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which Might Materially Affect Shareholder Equity or the Price of the Company's Securities, has Occurred during the Most Recent Year or during the Current Year up to the Date of Publication of the Annual Report: None.

# 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

| | Assets | 2022.12.31 Amount | % | 2021.12.31 Amount | % |
|---|---|---|---|---|---|
| 11xx | **Current Assets:** | | | | |
| 1100 | Cash and cash equivalents (Notes 6 (1) and(8)) | $ 546,502 | 9 | 358,053 | 6 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6 (2)) | 74,970 | 1 | 57,132 | 1 |
| 1120 | Current financial assets at fair value through other comprehensive income (Note 6 (3)) | 3,196,620 | 51 | 3,159,014 | 52 |
| 1136 | Financial assets measured at amortized cost - current (Notes 6 (4)) | 70,710 | 1 | - | - |
| 1150 | Notes receivable, net (Note 6 (5) and (23)) | 102,952 | 2 | 111,718 | 2 |
| 1170 | Accounts receivable, net (Note 6 (5) and (23)) | 96,016 | 2 | 159,832 | 3 |
| 1180 | Accounts receivable due from related parties (Note 6 (5), (22) and 7) | 24,242 | - | 15,476 | - |
| 1200 | Other receivables (Note 6 (6)) | 5,758 | - | 3,665 | - |
| 130X | Inventory (Notes 6 (7) and 9) | 237,781 | 4 | 327,332 | 5 |
| 1470 | Other current assets | 11,249 | - | 16,754 | - |
| | **Total current assets** | 4,366,800 | 70 | 4,208,976 | 69 |
| 15xx | **Non-current assets:** | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6 (3)) | 154,905 | 2 | 128,266 | 2 |
| 1536 | Financial assets measured at amortized cost - current (Notes 6 (4) and 8) | - | - | 2,632 | - |
| 1550 | Investments accounted for using equity method, net (Note 6 (9)) | 327,189 | 5 | 297,329 | 5 |
| 1600 | Property, plant and equipment (Notes 6 (11) and 9) | 870,838 | 14 | 868,016 | 14 |
| 1755 | Right of use assets (Notes 6 (12), (16) and 7) | 134,793 | 2 | 140,683 | 3 |
| 1760 | Investment real estate, net (Note 6 (13) | 303,792 | 5 | 297,285 | 5 |
| 1780 | Intangible assets (Note 6 (14)) | 5,172 | - | 6,060 | - |
| 1840 | Deferred tax assets (Note 6 (19)) | 39,813 | 1 | 32,981 | 1 |
| 1915 | Prepaid equipment (Note 6 (11)) | 8,964 | - | 15,842 | - |
| 1990 | Other non-current assets (Note 6 (6)) | 69,594 | 1 | 62,500 | 1 |
| | **Total non-current assets** | 1,915,060 | 30 | 1,851,594 | 31 |
| 1xxx | **Total assets** | $ 6,281,860 | 100 | 6,060,570 | 100 |

| | Liabilities and Equity | 2022.12.31 Amount | % | 2021.12.31 Amount | % |
|---|---|---|---|---|---|
| 21xx | **Current liabilities:** | | | | |
| 2100 | Short-term loans (Notes 6 (15) and 9) | $ - | - | 132,641 | 2 |
| 2130 | Current contract liabilities (Note 6 (22) | 5,579 | - | 6,028 | - |
| 2150 | Notes payable | 546 | - | 675 | - |
| 2170 | Accounts payable | 96,380 | 2 | 148,099 | 3 |
| 2180 | Accounts payable, related parties (Note 7) | 5,607 | - | 8,675 | - |
| 2200 | Other payables (Note 6 (23) and 7) | 184,978 | 3 | 175,032 | 4 |
| 2230 | Current tax liabilities | 20,408 | - | 19,604 | - |
| 2250 | Current provisions (Note 6 (17)) | 34,249 | 1 | 16,104 | - |
| 2281 | Lease liabilities (Notes 6 (16)) | 113 | - | 94 | - |
| 2282 | Lease liabilities－Related parties (Notes 6 (16) and 7) | 17,168 | - | 17,421 | - |
| 2399 | Other current liabilities | 5,780 | - | 4,496 | - |
| | **Total current liabilities** | 370,808 | 6 | 528,869 | 9 |
| 25xx | **Non-current liabilities:** | | | | |
| 2551 | Provision for employee benefit liabilities, non-current (Note 6 (18)) | 5,337 | - | 8,405 | - |
| 2552 | Provision for long-term liabilities for warranties (Note 6 (17)) | 93,936 | 1 | 80,284 | 1 |
| 2556 | Provision for long-term liabilities for decommissioning, rehabilitation, and restoration costs (Note 6 (17)) | 5,164 | - | 6,131 | - |
| 2570 | Deferred tax liabilities (Note 6 (19)) | 932 | - | 2,003 | - |
| 2581 | Lease liabilities (Notes 6 (16)) | 19,029 | - | 17,254 | - |
| 2582 | Lease liabilities－Related parties (Notes 6 (16) and 7) | 51,549 | 1 | 61,622 | 1 |
| 2670 | Other non current liabilities (Note 7) | 82,451 | 2 | 72,505 | 1 |
| | **Total non-current liabilities** | 258,398 | 4 | 248,204 | 3 |
| 2xxx | **Total liabilities** | 629,206 | 10 | 777,073 | 12 |
| 31xx | **Owners' equity attributable to the parent company (Notes VI (8), (9), (10) and (20)):** | | | | |
| 3110 | Share capital from common stock | 1,513,276 | 24 | 1,513,276 | 25 |
| 3200 | Capital reserve | 2,001,516 | 32 | 2,077,180 | 34 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 71,324 | 1 | 43,385 | 1 |
| 3350 | Undistributed surplus earnings | 817,484 | 13 | 532,991 | 9 |
| | Total retained earnings | 888,808 | 14 | 576,376 | 10 |
| 3400 | Other equity interest | 1,187,733 | 19 | 1,062,751 | 18 |
| | Subtotal of equity attributable to owners of parent company | 5,591,333 | 89 | 5,229,583 | 87 |
| 36xx | **Non-controlling interests** | 61,321 | 1 | 53,914 | 1 |
| 3xxx | **Total Equity** | 5,652,654 | 90 | 5,283,497 | 88 |
| 2-3xxx | **Total liabilities and equity** | $ 6,281,860 | 100 | 6,060,570 | 100 |

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

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

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

**Unit: NTD Thousand**

| Code | Item | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| 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)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

## 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 | | | | | |
| | Share capital from common stock | Capital reserve | Legal reserve | Undistributed surplus earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **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)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

## 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** | 449,936 | 326,438 |
| **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 | (129,902) | (100,549) |
| 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 | 159,377 | (218,815) |
| 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 | (11,402) | 69,982 |
| Net changes in operating assets and liabilities | 147,975 | (148,833) |
| Total adjustments | 18,073 | (249,382) |
| Cash inflow generated from operations | 468,009 | 77,056 |
| Interest received | 3,600 | 351 |
| Interest paid | (3,495) | (3,250) |
| Payment of income tax | (23,679) | (14,839) |
| **Net cash inflow from operating activities** | 444,435 | 59,318 |
| **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 | 152,407 | 139,822 |
| **Net cash flows (used in) from investing activities** | 23,100 | (44,992) |
| **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** | (345,146) | (65,511) |
| **Effect of exchange rate changes on cash and cash equivalents** | 66,060 | (24,635) |
| **Net decrease in cash and cash equivalents for the period** | 188,449 | (75,820) |
| **Cash and cash equivalents at beginning of period** | 358,053 | 433,873 |
| **Cash and cash equivalents at end of period** | $ 546,502 | 358,053 |

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

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

# 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.

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

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.<br>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 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.

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 2022.12.31 | Shareholding ratio 2021.12.31 | Explanation |
|---|---|---|---|---|---|
| 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 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 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 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 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 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 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 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 in come 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 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 |
| Machinery and equipment | 1 to 9 years |
| Leased assets | 3 to 20 years |
| Other equipment | 1 to 8 years |

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 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;

(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

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 |

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.
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 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.

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 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 rate risk of the financial assets and liabilities.

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

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Financial assets designated as at fair value through profit or loss: | | | |
| Gold passbook accounts | $ | 74,970 | 57,132 |

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

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

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| 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. | | 66,887 | 80,125 |
| | | 3,196,620 | 3,159,014 |
| Non current: | | | |
| Domestic TWSE listed company shares: | | | |
| Hold-Key Electric Wire & Cable Co., Ltd. | | 137,763 | 112,624 |
| 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. | | 1,500 | - |
| | | 17,142 | 15,642 |
| | | 154,905 | 128,266 |
| Total | $ | 3,351,525 | 3,287,280 |

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.

The Group did not dispose of strategic investments in 2022and 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 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 |
| | $ 210,942 | | 11,974 |

| | 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 |
| | $ 299,098 | | 27,548 |

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 | $ | 11,974 | 27,548 |

(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) |
| | $ | 5,758 | 3,665 |

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 | $ | 65,166 | 65,166 |

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

(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 |
| | $ | 237,781 | 327,332 |

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 | $ | 27,691 | 19,089 |

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 | (376) |
| Operating income before tax | (3,697) |
| Income tax expense | - |
| Operating income, net of tax | (3,697) |
| Disposal gain on discontinued operations | 65,633 |
| Profit (loss from discontinued operations | **$ 61,936** |

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 Name | Within the Group Nature of Relationship | Main operating location / incorporation Country | Proportion of shareholding and voting rights 2022.12.31 | Proportion of shareholding and voting rights 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 |

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

| | 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 | (24,241) | (24,241) |
| Share of net assets attributable to the Group on June 30 | 306,342 | 276,482 |
| Add: Goodwill | 20,847 | 20,847 |
| Book value of net assets attributable to the Group on June 30 | $ 327,189 | 297,329 |

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.

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

| | August 19, 2022 |
|---|---|
| Cash | $ 759,364 |

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 | $ 28,163 |

(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 | $ 263,627 | 1,541,971 | 2,474,022 | 45,188 | 541,043 | 4,865,851 |

| | | Land | Housing and construction | Machinery and equipment | Leased assets | Other equipment | Total |
|---|---|---|---|---|---|---|---|
| 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 | $ | 263,627 | 1,443,439 | 2,824,249 | 60,653 | 514,728 | 5,106,696 |
| 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 | $ | - | 1,062,875 | 2,401,312 | 16,732 | 514,094 | 3,995,013 |
| 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 |
| 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 | $ | - | 966,433 | 2,743,721 | 33,679 | 494,847 | 4,238,680 |
| Carrying amounts: | | | | | | | |
| Balance as at December 31, 2022 | $ | 263,627 | 479,096 | 72,710 | 28,456 | 26,949 | 870,838 |
| Balance as at December 31, 2021 | $ | 263,627 | 477,006 | 80,528 | 26,974 | 19,881 | 868,016 |

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 | $ | 73,732 | 94,334 | 168,066 |
| 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 | $ | 66,753 | 88,687 | 155,440 |
| 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 | $ | 7,153 | 26,120 | 33,273 |
| Balance as at January 1, 2021 | $ | 3,148 | 20,395 | 23,543 |
| Depreciation for the current period | | 1,761 | 15,255 | 17,016 |
| Disposal (early termination of the contract) | | - | (25,693) | (25,693) |
| Effect of movements in exchange rates | | (109) | - | (109) |
| Balance as at December 31, 2021 | $ | 4,800 | 9,957 | 14,757 |
| Carrying amounts: | | | | |
| Balance as at December 31, 2022 | $ | 66,579 | 68,214 | 134,793 |
| Balance as at December 31, 2021 | $ | 61,953 | 78,730 | 140,683 |

(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 | $ | 69,908 | 447,945 | 40,457 | 558,310 |

| | | | | |
|---|---|---|---|---|
| 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 | **$ 69,908** | **405,160** | **29,991** | **505,059** |
| 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 | **$ -** | **243,972** | **10,546** | **254,518** |
| 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) |
| 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 valuated 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:

| | **Computer software** |
|---|---|
| Cost: | |
| Balance as at December 31, 2022 (i.e., balance as at January 1, 2022) | **$ 6,138** |
| Balance as at January 1, 2021 | $ - |
| Addition | 6,138 |
| Balance as at December 31, 2021 | **$ 6,138** |

| | | |
|---|---|---|
| Amortization and impairment loss: | | |
| Balance as at January 1, 2022 | $ | 78 |
| Amortization for the period | | 888 |
| Balance as at December 31, 2022 | $ | 966 |
| Balance as at January 1, 2021 | $ | - |
| Amortization for the period | | 78 |
| Balance as at December 31, 2021 | $ | 78 |
| Carrying amounts: | | |
| Balance as at December 31, 2022 | $ | 5,172 |
| Balance as at December 31, 2021 | $ | 6,060 |

(XV) Short-term loans

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Credit loans | $ - | 132,641 |
| 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 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) |
| Non-current net defined benefit liability | **$ 5,337** | **8,405** |

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 | **$** | **16,493** | **18,331** |

(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:

| | | 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 | **$** | **11,156** | **9,926** |

(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 |
| | **$ 51** | **42** |

(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 | **$ 2,940** | **226** |

(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 obligations is as follows:

| | Impact on defined benefit obligations | |
|---|---|---|
| | **Increase0.25 %** | **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 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 | (1,822) | 1,658 |
| | 24,512 | 21,261 |
| Deferred tax expense (gain) | | |
| Occurrence and reversal of temporary differences | (8,446) | 8,712 |
| Income tax expense | **$ 16,066** | **29,973** |

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 | **$ (543)** | **10** |

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 | **$ 449,936** | **264,502** |
| 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 |
| 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 | **$ 16,066** | **29,973** |

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 |
| | **$ 4,220,654** | **4,499,344** |

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 | **$ 1,596,547** | |

(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 for impairment losses | Expected credit loss | Exchange losses | Other | Total |
|---|---|---|---|---|---|
| **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 |
| 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 |

| | | |
|---|---|---|
| $ | 2,001,516 | 2,077,180 |

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 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 onJune 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 statements | (110,763) | - | (110,763) |
| Share of other comprehensive income of subsidiaries, affiliates, | (567) | - | (567) |

| | | | |
|---|---|---|---|
| and joint ventures recognized using the equity method | | | |
| 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 | $ (89,969) | 1,152,720 | 1,062,751 |

(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 | $ 416,051 | 279,430 |
| Weighted average number of ordinary shares outstanding | 151,328 | 151,328 |
| Basic EPS - Continuing Operations (Unit: New Taiwan Dollars) | $ 2.75 | 1.44 |
| Basic EPS - Discontinued Operations (Unit: New Taiwan Dollars) | $ - | 0.41 |
| 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 | $ 416,051 | 279,430 |
| 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 shares outstanding (diluted) | 151,718 | 151,660 |
| Diluted EPS - Continuing Operations (Unit: New Taiwan Dollars) | $ 2.74 | 1.43 |
| Diluted EPS - Discontinued Operations (Unit: New Taiwan Dollars) | $ - | 0.41 |

(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 | 734,012 | 665,745 | 1,399,757 |
| | **$ 878,473** | **667,173** | **1,545,646** |

| | 2021 | | |
|---|---|---|---|
| | Optoelectronics Division | Electromechanical Division | Total |
| Principal regional markets: | | | |
| Asia | $ 156,664 | 1,061 | 157,725 |
| Americas | 14,686 | - | 14,686 |
| Taiwan | 713,863 | 563,017 | 1,276,880 |
| | **$ 885,213** | **564,078** | **1,449,291** |

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 | (1,007) | - | (165) |
| Total | **$ 223,210** | **287,026** | **205,509** |
| Contract Liabilities - Merchandise Sales | **$ 5,579** | **6,028** | **14,983** |

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 2021were recognized as revenue in 2022 and 2021, amounting to NTD 2,335 thousand and NTD14,303 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).

(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

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 | 61,312 | 61,312 | - | - | - | 61,312 |
| | $ 457,821 | 497,507 | 307,371 | 20,778 | 57,347 | 112,011 |
| **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 | 55,262 | 55,262 | - | - | - | 55,262 |
| | $ 634,017 | 673,372 | 485,572 | 55,006 | 32,605 | 100,189 |

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** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| 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 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| 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 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:

| **Price of securities at reporting date** | **2022** | **2021** |
|---|---|---|
| Up 5% | $ 167,576 | 164,364 |
| Down 5% | $ (167,576) | (164,364) |

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:

| | **2022.12.31** | | | | |
|---|---|---|---|---|---|
| | | **Fair value** | | | |
| | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |

| | | | | | |
|---|---|---|---|---|---|
| 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 | | | | | |
| 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 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| 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 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 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 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 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 | Non cash changes: Addition | Non cash changes: Disposal and Remeasurement Contracts in the Current Period | Non cash changes: Exchange rate changes | 2022.12.31 |
|---|---|---|---|---|---|---|
| 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 | $ 229,032 | (157,038) | 1,988 | 4,973 | 8,904 | 87,859 |

| | 2021.1.1 | Cash flows | Non cash changes: Addition | Non cash changes: Disposal and Remeasurement Contracts in the Current Period | Non cash changes: Exchange rate changes | 2021.12.31 |
|---|---|---|---|---|---|---|
| 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 | $ 66,684 | 90,629 | 87,011 | (16,535) | 1,243 | 229,032 |

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 | $ 141,384 | 90,014 |

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 | $ 17,420 | 26,075 |

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.

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 for88,868 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 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 |
| 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 range (%) | 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 counterparti | Loan of funds and total limit (Notes 5 and 6) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |

| | | | | | | | | | | | | | | | es (Notes 5 and 6) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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.

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: Shares/Units | End of period: Carrying amount | End of period: Percentage of ownership | End of period: Fair value | Highest shareholding or capital contribution in the interim | Note |
|---|---|---|---|---|---|---|---|---|---|
| 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 | |
| | | | | | 3,196,620 | | 3,196,620 | | |
| 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 | 137,763 | 4.98% | 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 | |
| | | | | | 154,905 | | 154,905 | | |

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

5. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

6. Disposal of individual real estate with amount exceeding the lower of NT$300 million or

20% of the capital stock: None.

7.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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchased (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.

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

9. Trading in derivative instruments: None.

10. 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 Company | Young Fast Vietnam | 1 | Accounts payable | 93,363 | Mutually negotiated | 1.49% |
| 0 | 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 | Profit and loss of the investee company for the current | Investment gains and losses recognized in | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of the | End of prior | Number of | Percentage | Carrying amount | | | | |

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

| | | | | current period | year | shares | (%) | (Note 2) | the interim | period (Note 2) | the current period (Note 2) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Young Fast Belize | Belize | Professional investment | 3,000,130<br>(USD 100,000 ) | 3,000,130<br>(USD 100,000 ) | 100,000 | 100.00% | - | 3,000,130<br>(USD 100,000 ) | 4,522 | 4,522 | Note 6 |
| " | Young Fast Samoa | Samoa | Professional investment | 1,946,551<br>(USD 66,500 ) | 1,262,218<br>(USD 43,000 ) | 57,195 | 100.00% | 866,518 | 1,946,551<br>(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<br>(USD 103,080 ) | - | - % | - | 3,093,236<br>(USD 103,080) | 4,624 | 4,624 | Note 5 |
| Young Fast Samoa | Young Fast Vietnam | Vietnam | Manufacture and sales of touch panels | 965,402<br>(USD 32,200 ) | 965,402<br>(USD 32,200 ) | - | 100.00% | 791,565 | 965,402<br>(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<br>(USD 150 ) | (II) | - | - | - | - | 431 | 100.00 | 4,660<br>(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:

(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 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: 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<br>(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 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 |
| Reportable segment profit (loss) | $ (139,830) | 194,281 | (360) | 54,091 |

| | **Optoelectronics Business Group** | **Electromechanical Business Group** | **Adjustments and write-offs** | **Total** |
|---|---|---|---|---|
| Reporting segment assets (Note): | | | | |
| December 31, 2022 | $ 4,285,488 | 2,238,153 | (241,781) | 6,281,860 |
| December 31, 2021 | $ 4,328,590 | 2,083,635 | (351,655) | 6,060,570 |

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 | 249,314 | 210,411 |
| Profit and loss before tax from segments with continuing operations | $ 449,936 | 264,502 |

(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 | 1,399,757 | 1,276,880 |
| Total | **$ 1,545,646** | **1,449,291** |

Non-current assets:

| Regional breakdown | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Taiwan | $ 678,607 | 649,988 |
| Vietnam | 708,811 | 733,656 |
| Total | **$ 1,387,418** | **1,383,644** |

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 | 171,177 | 11.07 |
| Total | **$ 477,368** | **30.88** |

| | 2021 | |
|---|---|---|
| | **Sales amount** | **Contribution %** |
| Company A | **$ 465,710** | **32.13** |

# Auditing Report of the Certified Accountants

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

**Audit Opinion**

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

In our opinion, the aforementioned parent company only financial statements in all material respects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. They are sufficient to adequately express the financial status of Young Fast Optoelectronics Co. as of December 31, 2022 and 2021 and its financial performance and cash flows from January 1 through December 31, 2022 and 2021.

**Basis for 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 Parent Company Only Financial Statements section of our report. We are independent of Young Fast Optoelectronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 are those matters that, in our professional judgment, were of most significance in our audit of the 2022 parent company only financial statements of Young Fast Optoelectronics Co., Ltd. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 parent company only financial statements on Recognition of Revenue; for details of revenue related disclosures, please refer to Note 6 (21) the parent company only financial statements.

Explanation of Key Audit Matters:

Sales revenue of Young Fast Optoelectronics Co., Ltd. stands as the primary indicator for investors and management in evaluating its financial or business performance. Moreover, as a listed company, Young Fast Optoelectronics Co., Ltd. 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.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of Young Fast Optoelectronics Co., Ltd., disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Young Fast Optoelectronics Co., Ltd. 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 Optoelectronics Co., Ltd.

**Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. 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 Optoelectronics Co., Ltd.
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 Optoelectronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are 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 Optoelectronics Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion regarding Young Fast Optoelectronics Co., Ltd.

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 those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements of Young Fast Optoelectronics Co., Ltd. and are therefore the key audit matters. 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

Republic of China

February 23, 2023

# Young Fast Optoelectronics Co., Ltd.

## Balance sheet

## December 31, 2022 and 2021

**Unit: NTD Thousand**

| Code | Assets | 2022.12.31 Amount | % | 2021.12.31 Amount | % |
|---|---|---|---|---|---|
| 11xx | **Current Assets:** | | | | |
| 1100 | Cash and cash equivalents (Notes 6 (1) and 8) | $ 474,968 | 8 | 279,313 | 5 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6 (2)) | 74,970 | 1 | 57,132 | 1 |
| 1120 | Current financial assets at fair value through other comprehensive income (Note 6 (3)) | 3,196,620 | 52 | 3,159,014 | 54 |
| 1136 | Current financial assets at amortised cost (Note 6 (4)) | 30,710 | - | - | - |
| 1150 | Notes receivable, net (Note 6 (5) and (21)) | 102,952 | 2 | 111,718 | 2 |
| 1170 | Accounts receivable, net (Note 6 (5) and (21)) | 95,896 | 2 | 159,832 | 3 |
| 1180 | Accounts receivable due from related parties (Notes 6 (5), (21) and 7) | 24,026 | - | 15,476 | - |
| 1200 | Other receivables (Note 6 (6)) | 2,201 | - | 1,814 | - |
| 1210 | Other receivables due from related parties, net (Note 6 (6) and 7) | 1,790 | - | 122,700 | 2 |
| 130X | Inventory (Notes 6 (7) and 9) | 168,486 | 3 | 221,448 | 4 |
| 1470 | Other current assets | 4,338 | - | 5,637 | - |
| | **Total current assets** | 4,176,957 | 68 | 4,134,084 | 71 |
| 15xx | **Non-current assets:** | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6 (3)) | 154,905 | 3 | 128,266 | 2 |
| 1550 | Investments accounted for using equity method, net (Note 6 (9)) | 1,257,445 | 20 | 981,411 | 18 |
| 1600 | Property, plant and equipment (Notes 6 (10), 7, and 9) | 430,060 | 7 | 428,237 | 7 |
| 1755 | Right of use assets (Notes 6 (11), (15), and 7) | 57,800 | 1 | 65,340 | 1 |
| 1760 | Investment real estate, net (Note 6 (12)) | 76,186 | 1 | 76,365 | 1 |
| 1780 | Intangible assets (Note 6 (13)) | 5,172 | - | 6,060 | - |
| 1840 | Deferred tax assets (Note 6 (18)) | 30,774 | - | 25,752 | - |
| 1915 | Prepaid equipment(Note 6 (10)) | 1,045 | - | 14,126 | - |
| 1990 | Other non-current assets (Note 6 (6)) | 5,211 | - | 6,192 | - |
| | **Total non-current assets** | 2,018,598 | 32 | 1,731,749 | 29 |
| 1xxx | **Total assets** | **$ 6,195,555** | **100** | **5,865,833** | **100** |

| Code | Liabilities and Equity | 2022.12.31 Amount | % | 2021.12.31 Amount | % |
|---|---|---|---|---|---|
| 21xx | **Current liabilities:** | | | | |
| 2100 | Short-term loans (Notes 6 (14), 7, and 9) | $ - | - | 41,297 | 1 |
| 2130 | Current contract liabilities (Note 6 (21)) | 5,579 | - | 6,028 | - |
| 2150 | Notes payable | 546 | - | 675 | - |
| 2170 | Accounts payable | 83,134 | 1 | 130,801 | 2 |
| 2180 | Accounts payable, related parties (Note 7) | 139,893 | 2 | 109,192 | 2 |
| 2200 | Other payables (Note 6 (22) and 7) | 150,685 | 3 | 139,174 | 2 |
| 2230 | Current tax liabilities | 6,660 | - | 6,076 | - |
| 2250 | Current provisions (Note 6 (16)) | 26,017 | - | 12,551 | - |
| 2282 | Lease liabilities－Related parties (Notes 6 (15) and 7) | 14,238 | - | 14,574 | - |
| 2399 | Other current liabilities | 1,358 | - | 2,856 | - |
| | **Total current liabilities** | 428,110 | 6 | 463,224 | 7 |
| 25xx | **Non-current liabilities:** | | | | |
| 2551 | Provision for employee benefit liabilities, non-current (Note 6 (17)) | 5,337 | - | 8,405 | - |
| 2552 | Provision for long-term liabilities for warranties (Note 6 (16)) | 60,187 | 2 | 50,924 | 2 |
| 2556 | Provision for long-term liabilities for decommissioning, rehabilitation, and restoration costs (Note 6 (16)) | 4,102 | - | 5,069 | - |
| 2570 | Deferred tax liabilities (Note 6 (18)) | 932 | - | 1,968 | - |
| 2582 | Lease liabilities－Related parties (Notes 6 (15) and 7) | 43,842 | 1 | 50,984 | 1 |
| 2670 | Other non-current liabilities | 61,712 | 1 | 55,676 | 1 |
| | **Total non-current liabilities** | 176,112 | 4 | 173,026 | 4 |
| 2xxx | **Total liabilities** | 604,222 | 10 | 636,250 | 11 |
| 31xx | **Equity (Note 6 (8), (9), (17), (18), and (19)):** | | | | |
| 3110 | Share capital from common stock | 1,513,276 | 24 | 1,513,276 | 26 |
| 3200 | Capital reserve | 2,001,516 | 33 | 2,077,180 | 35 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 71,324 | 1 | 43,385 | 1 |
| 3350 | Undistributed surplus earnings | 817,484 | 13 | 532,991 | 9 |
| | Total retained earnings | 888,808 | 14 | 576,376 | 10 |
| 3400 | Other equity interest | 1,187,733 | 19 | 1,062,751 | 18 |
| 3xxx | **Total Equity** | 5,591,333 | 90 | 5,229,583 | 89 |
| 2-3xxx | **Total liabilities and equity** | **$ 6,195,555** | **100** | **5,865,833** | **100** |

**(For details, please refer to the attached notes to the parent company only financial statements)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

## Young Fast Optoelectronics Co., Ltd.
## Statement 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)** | $ 1,548,855 | 100 | 1,452,295 | 100 |
| 5000 | **Operating costs (Notes 6 (7),(10), (11), (13),(15), (16) , (17), 7, and 12)** | 1,212,716 | 78 | 1,211,193 | 83 |
| 5900 | **Operating margin** | 336,139 | 22 | 241,102 | 17 |
| 6000 | **Operating expenses (Notes 6 (5), (6),(10),(11),(13),(15),(17),(22) , 7,and 12):** | | | | |
| 6100 | Marketing expenses | 28,743 | 2 | 26,279 | 2 |
| 6200 | Management expenses | 109,814 | 7 | 102,499 | 7 |
| 6300 | Research and development expenses | 41,092 | 3 | 45,049 | 3 |
| 6450 | Expected credit loss | (15,574) | (1) | 4,795 | - |
| | **Total operating expenses** | 164,075 | 11 | 178,622 | 12 |
| 6900 | **Net operating profit** | 172,064 | 11 | 62,480 | 5 |
| 7000 | **Non-operating revenue and expenses (Notes 6 (2), (8), (9), (12), (15), (23), 7 and 12):** | | | | |
| 7100 | Interest income | 3,544 | - | 490 | - |
| 7010 | Other income | 136,193 | 9 | 123,402 | 8 |
| 7020 | Other gains and losses | 52,448 | 3 | 57,246 | 4 |
| 7050 | Finance costs | (1,139) | - | (758) | - |
| 7060 | Share of profit or loss of subsidiaries and affiliates accounted for using the equity method | 52,683 | 4 | 54,220 | 3 |
| | **Total non-operating revenue and expenses** | 243,729 | 16 | 234,600 | 15 |
| 7900 | **Net profit from continuing operations before tax** | 415,793 | 27 | 297,080 | 20 |
| 7950 | **Less: Income tax expense (benefit) (Note 6 (17))** | (258) | - | 17,650 | 1 |
| 8200 | **Net profit for the period** | 416,051 | 27 | 279,430 | 19 |
| 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 subsidiaries, affiliates, and joint ventures recognized using the equity method | 139 | - | (3) | - |
| 8349 | Less: Income tax related to items that will not be reclassified | 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) |
| 8380 | Share of other comprehensive profits and losses of subsidiaries, affiliates, and joint ventures recognized using the equity method | 1,386 | - | (567) | - |
| 8399 | Less: Income tax related to items that may be reclassified | - | - | - | - |
| | **Total items that may subsequently be reclassified to profit or loss** | 103,496 | 7 | (111,330) | (8) |
| 8300 | **Other comprehensive income, net of tax, for the period** | 127,292 | 8 | 463,476 | 32 |
| 8500 | **Total comprehensive income for the period** | $ 543,343 | 35 | 742,906 | 51 |
| 9710 | **Earnings per share (Unit: NTD) (Note 6 (20))** | | | | |
| 9750 | Basic earnings per share | $ 2.75 | | 1.85 | |
| 9850 | Diluted earnings per share | $ 2.74 | | 1.84 | |

**(For details, please refer to the attached notes to the parent company only financial statements)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

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

**Statement of Changes in Equity**

**January 1 to December 31, 2022 and 2021**

**Unit: NTD Thousand**

| | Share capital from common stock | Capital reserve | Retained earnings: Legal reserve | Retained earnings: Undistributed surplus earnings | Retained earnings: Total | Total other equity interest: Exchange differences on translation of foreign financial statements | Total other equity interest: Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total other equity interest: Total | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **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 |
| 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) |
| Net profit for the period | - | - | - | 279,430 | 279,430 | - | - | - | 279,430 |
| Other comprehensive income, net of tax, for the period | - | - | - | (43) | (43) | (111,330) | 574,849 | 463,519 | 463,476 |
| Total comprehensive income for the period | - | - | - | 279,387 | 279,387 | (111,330) | 574,849 | 463,519 | 742,906 |
| Balance at December 31, 2021 | 1,513,276 | 2,077,180 | 43,385 | 523,991 | 576,376 | (89,969) | 1,152,720 | 1,062,751 | 5,229,583 |
| Earnings allocation and distribution: | | | | | | | | | |
| Provision for legal reserve | - | - | 27,939 | (27,939) | - | - | - | - | - |
| Common stock cash dividend | - | - | - | (105,929) | (105,929) | - | - | - | (105,929) |
| Changes in other capital reserve: | | | | | | | | | |
| Cash dividends from capital reserve | - | (75,664) | - | - | - | - | - | - | (75,664) |
| Net profit for the period | - | - | - | 416,051 | 416,051 | - | - | - | 416,051 |
| Other comprehensive income, net of tax, for the period | - | - | - | 2,310 | 2,310 | 103,496 | 21,486 | 124,982 | 127,292 |
| Total comprehensive income for the period | - | - | - | 418,361 | 418,361 | 103,496 | 21,486 | 124,982 | 543,343 |
| **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 |

**(For details, please refer to the attached notes to the parent company only financial statements)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

## Young Fast Optoelectronics Co., Ltd.
## Statement of Cash Flows
## January 1 to December 31, 2022 and 2021

Unit: NTD Thousand

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit (loss) before tax for the current period** | $ 415,793 | 297,080 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 42,893 | 29,639 |
| Amortization expense | 888 | 78 |
| 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 | 1,139 | 758 |
| Interest income | (3,544) | (490) |
| Dividend income | (128,166) | (115,581) |
| Profit from subsidiaries and affiliates accounted for using the equity method | (52,683) | (54,220) |
| Proceeds from disposal of property, plant and equipment | (15,990) | (120) |
| Lease modification benefits | (292) | (12) |
| Proceeds from disposal of non-current assets held for sale | - | (65,633) |
| Total income and expense items | (178,449) | (197,006) |
| 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) | 54,379 | (92,206) |
| Other receivables (including related parties) | (1,415) | 5,406 |
| Inventory | 52,962 | (111,332) |
| Other current assets | 1,299 | 1,221 |
| Other non-current assets | - | 13,979 |
| Total changes in operating assets, net | 121,854 | (191,017) |
| Changes in operating liabilities, net: | | |
| Contract liabilities | (449) | (8,955) |
| Notes payable | (129) | 643 |
| Accounts payable (including related parties) | (16,966) | 97,518 |
| Other payables | 16,853 | 9,971 |
| Provisions | 21,762 | 27,310 |
| Other current liabilities | (1,498) | 994 |
| Non-current net defined benefit liability | (354) | (385) |
| Decrease in other operating liabilities | 19,219 | 127,096 |
| Net changes in operating assets and liabilities | 141,073 | (63,921) |
| Total adjustments | (37,376) | (260,927) |
| Cash inflow generated from operations | 378,417 | 36,153 |
| Interest received | 3,544 | 490 |
| Interest paid | (1,139) | (758) |
| Payment of income tax | (5,730) | (1,030) |
| **Net cash inflow from operating activities** | 375,092 | 34,855 |
| **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 |
| Acquisition of financial assets at amortised cost | (30,710) | - |
| Investments accounted for using equity method | (684,333) | - |
| Acquisition of ownership interests in subsidiaries | 529,540 | - |
| Disposal of non-current assets held for sale | - | 17,375 |
| Acquisition of property, plant and equipment | (21,540) | (37,477) |
| Disposal of property, plant and equipment | 16,570 | 120 |
| Increase in refundable deposits | 981 | (317) |
| Acquisition of intangible assets | - | (6,138) |
| Decrease (increase) in other receivables due from related parties | 121,909 | 51,844 |
| Increase in prepaid equipment | (1,045) | (6,185) |
| Dividends received | 163,243 | 147,562 |
| **Net cash inflow (outflow) from investing activities** | 51,856 | 56,926 |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term borrowings | 145,215 | 119,600 |
| Decrease in short-term borrowings | (186,512) | (83,337) |
| Increase in deposits received | (14) | 20 |
| Payment of lease liabilities | (14,439) | (12,850) |
| Decrease in other non-current liabilities | 6,050 | (1,243) |
| Payment of cash dividends | (181,593) | (151,328) |
| **Net cash flows used in financing activities** | (231,293) | (129,138) |
| **Net decrease in cash and cash equivalents for the period** | 195,655 | (37,357) |
| **Cash and cash equivalents at beginning of period** | 279,313 | 316,670 |
| **Cash and cash equivalents at end of period** | $ 474,968 | 279,313 |

**(For details, please refer to the attached notes to the parent company only financial statements)**

**Chairman: Chihchiang Pai** **Manager: Yichuan Hsu** **Chief Accountant: Weiju Hsu**

**Young Fast Optoelectronics Co., Ltd.**
**Notes to the Parent Company Only 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.

(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.

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.

**(For details, please refer to the attached notes to the parent company only financial statements)**

II. Approval date and procedures of the financial statements

The parent company only financial statements were authorized for issuance 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 Company will apply the following newly amended International Financial Reporting Standards from January 1, 2022, and there is no significant impact on the parent company only 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

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.<br><br>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 Company 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 Company completes its evaluation.

The Company does not expect the following other unapproved new and revised standards to have a material impact on the parent company only 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 parent company only financial statements is as follows. The following accounting policies have been applied consistently to all periods presented in the parent company only financial statements.

(I) Statement of compliance

The parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Compilation basis

1. Measurement basis

Except for the following significant items of the balance sheet, the parent company only 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 Company uses the currency of the primary economic environment in of said entity's operations as its functional currency. The parent company only 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) Foreign currencies

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 parent company only 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 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.

(IV) 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.

(V) Cash and cash equivalents

Cash includes cash on hand, checking deposits, and demand deposits. Cash 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 company's overall cash management, and are included in the cash flow statement as a component of cash and cash equivalents.

(VI) Financial instruments

Accounts receivable are originally recognized as they are incurred. All other financial assets and financial liabilities are originally recognized when the Company 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 Company 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 Company 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 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 Company 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 Company 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 Company 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 Company 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 Company's historical experience, credit 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 twelve-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 Company 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 Company can receive under the contract and the cash flows that the Company 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 company 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 Company analyzes the timing and amount of write-offs individually on the basis of whether they are reasonably expected to be recoverable. The Company 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 Company's procedures for recovering overdue amounts.

(5) Derecognition of financial assets

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

When the Company 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 Company's remaining interest in assets less all of its liabilities. Equity instruments issued by the Company 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 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 Company 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.

(VII) Inventory

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 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.

(VIII) Invested affiliates

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

The Company 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 parent company only financial statements cover from the date of material impact to the date of loss of material impact. After making adjustments consistent with the Company's accounting policies, the Company recognizes the amount of profit and loss and other comprehensive in come 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 Company's associated shareholding ratio, the Company recognizes changes in equity attributable to the Company's share of the affiliated companies as capital reserve in proportion to its shareholding.

Unrealized profits and losses arising from transactions between the Company 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 Company 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.

(IX) Invested subsidiaries

When preparing parent company only financial statements, the Company adopts the equity method to evaluate invested companies with control. Under the Equity Method, the current profit and loss and other comprehensive income of the parent company only financial statements and the current profit and loss and other comprehensive income of the financial statements prepared on a consolidated basis are the same as that attributable to the owner of the parent company. Furthermore, the owner's equity in the parent company only financial statements is the same as the equity attributable to owners of the parent in the financial statements prepared on a consolidated basis.

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

(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 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 |
| Machinery and equipment | 1 to 9 years |
| Leased assets | 3 to 20 years |
| Other equipment | 1 to 5 years |

The Company reviews the depreciation method, useful life and salvage value on each reporting date and makes appropriate adjustments when necessary.

(XII) Leases

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

1. As a lessee

The Company 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 Company 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 Company's incremental borrowing rate of interest shall be used. Generally speaking, the Company 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;

(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 Company 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 Company 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 Company 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 Company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying asset.

If the company 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 Company recognizes lease payments received as lease income over the lease term on a straight-line basis.

(XIII) Intangible assets

1. Identification and measurement

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 |

The Company 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 Company 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 Company 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.

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 Company 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 Company has objective evidence that all acceptance conditions have been met.

(XVII) Government subsidies

When the Company 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 Company'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 Company, 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 interest), and any change in the upper asset limit (excluding interest). The Company 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 Company 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 Company 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 Company 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.

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) Distinct taxpayers, but where 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 Company presents basic and diluted earnings per share attributable to holders of ordinary shares of the Company. Basic earnings per share of the Company is the profit or loss attributable to the holders of ordinary shares of the Company 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 Company's potentially dilutive ordinary shares include employee remuneration.

(XXI) Segment information

The Company has disclosed departmental information in the consolidated financial statements. Therefore, parent company only financial statements do not disclose departmental information.

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

The preparation of the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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.

The parent company only financial statements involve significant judgment on whether the investee company Epoch Chemtronics Corp. involves substantial control, and this in turn has a significant impact on the amount recognized in the parent company only financial statements. For related information, please refer to the consolidated financial statements for 2022.

The parent company only financial statements contain no information such that the accounting policies involve significant estimates and assumptions that have a material impact on the amounts recognized in the parent company only financial statements.

VI. Explanation of significant accounts

(I) Cash and cash equivalents

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Cash | $ 387 | 366 |
| Demand deposits | 443,791 | 278,192 |
| Checking deposits | 80 | 755 |
| Fixed deposits | 30,710 | - |
| | **$ 474,968** | **279,313** |

Please refer to Note 6 (24) for disclosure of exchange rate risk and sensitivity analysis of the Company’s financial assets and liabilities.

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Financial assets designated as at fair value through profit or loss: | | |
| Gold passbook accounts | **$ 74,970** | **57,132** |

1. Please refer to Note 6 (23) for the remeasurement of fair value.

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| 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. | 66,887 | 80,125 |
| | 3,196,620 | 3,159,014 |
| Non current: | | |
| Domestic TWSE listed company shares: | | |
| Hold-Key Electric Wire & Cable Co., Ltd. | 137,763 | 112,624 |
| 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. | 1,500 | - |
| | 17,142 | 15,642 |
| | 154,905 | 128,266 |
| Total | $ 3,351,525 | 3,287,280 |

These equity instrument investments held by the Company constitute long-term strategic investments and are not held for trading purposes. They have therefore been designated as fair value through other comprehensive income.

The Company 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 (24).

(IV) Financial Assets Measured at Amortized Cost are Assets

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Time deposits with original maturities of over three months | $ 30,710 | - |
| Interest rate range (%) | 4.06 | - |

Company's 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.

(V) Notes receivable and accounts receivable

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Notes receivable | $ 113,919 | 139,266 |
| Accounts receivable | 96,903 | 159,832 |
| Accounts receivable - related parties | 24,026 | 15,476 |
| Less: Loss allowance－notes receivable | (10,967) | (27,548) |
| Loss allowance - accounts receivable | (1,007) | - |
| | $ 222,874 | 287,026 |

The Company executed an accounts receivable factoring contract with domestic financial institutions in 2022. Under the contract, the Company 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 Company 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 Company did not have any factored accounts receivable. In addition, The Company did not 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 Company and the bank was 12,284 thousand.

The Company applies the simplified approach to provide for its expected credit losses for all notes and accounts receivable, i.e., using the measurement of expected credit loss during the period. To measure the expected credit losses, such notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporating forward looking information, including macroeconomic and relevant industry information. According to the historical experience of the Company'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 Company'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 company'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 Company'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 (%) | Allowance for expected credit loss during the period |
| Current | $ 201,898 | 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 |
| | $ 210,822 | | 11,974 |

| | 2021.12.31 | | |
|---|---|---|---|
| | Carrying values of notes receivable and accounts receivable | Weighted average loss rate (%) | Allowance for expected credit loss during the period |
| 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 |
| | $ 299,098 | | 27,548 |

The table of changes in loss allowance for notes receivable and accounts receivable of the Company is as follows:

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 27,548 | 8,774 |
| Provision for impairment loss (reversal gain) | (15,574) | 18,774 |
| Ending balance | $ 11,974 | 27,548 |

(VI) Other receivables and long-term receivables

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Other receivables | $ 2,201 | 1,814 |
| Other receivables - related parties | 1,790 | 122,700 |
| Long-term receivables | 65,166 | 65,166 |
| Less: Loss allowance | (65,166) | (65,166) |

| | | |
|---|---|---|
| | $ 3,991 | 124,514 |

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

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 65,166 | 79,145 |
| Reversal of impairment losses | - | (13,979) |
| Ending balance | $ 65,166 | 65,166 |

For other credit risk information please refer to Note 6 (24).

(VII) Inventory

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Raw materials | $ 129,332 | 113,571 |
| Work in process | 13,307 | 42,205 |
| Finished products | 13,042 | 50,345 |
| Goods held in inventory | 12,805 | 15,327 |
| | $ 168,486 | 221,448 |

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

| | 2022 | 2021 |
|---|---|---|
| Inventory valuation and obsolescence loss | $ 19,223 | 9,131 |
| Inventory obsolescence loss | 1,895 | 2,743 |
| Inclusion in operating costs | $ 21,118 | 11,874 |

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

(VIII) Non-current assets held for sale

The Company completed the liquidation process of Youwei Photoelectricity (Huizhou) Co., Ltd. on December 15, 2021, and recognized disposal gain of NTD 65,633 thousand and recorded it under other gains and losses.

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 and cash equivalents | $ 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 Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Subsidiary | $ 930,256 | 684,082 |
| Affiliated companies | 327,189 | 297,329 |
| | $ 1,257,445 | 981,411 |

1. Subsidiaries

Please refer to the 2022consolidated financial statements.

2. Affiliated companies

Affiliates that are material to the Company consisted of the following:

| Affiliated company name | Relationship with the Group | Main operating location / country of incorporation | Proportion of shareholding and voting rights | |
|---|---|---|---|---|
| | | | 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 Company 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 |

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

| | 2022 | 2021 |
|---|---|---|
| Share of net assets of the Company's affiliates on January 1 | $ 276,482 | 275,591 |
| Comprehensive income (loss) attributable to the Company | 54,101 | 25,132 |
| Dividends received from affiliated companies | (24,241) | (24,241) |
| Share of net assets of related companies attributable to the Company at period end | 306,342 | 276,482 |
| Add: Goodwill | 20,847 | 20,847 |
| Carrying amount of equity in affiliated companies attributable to the Company at period end | $ 327,189 | 297,329 |

The difference between the Company'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.

3. Collateral

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

(X) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for 2021 and 2020 were as follows:

## Young Fast Optoelectronics Co., Ltd. Notes to Parent Company Only Financial Statements (Continued)

| | Land | Housing and construction | Machinery and equipment | Leased assets | Other equipment | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance as at January 1, 2022 | $ 263,627 | 564,242 | 841,223 | 54,446 | 110,856 | 1,834,394 |
| Addition | - | 2,291 | 2,665 | 1,729 | 9,513 | 16,198 |
| Reclassification | - | - | 4,195 | 9,931 | - | 14,126 |
| Disposal | - | - | (294,037) | (26,269) | (12,051) | (332,357) |
| Balance as at December 31, 2022 | $ 263,627 | 566,533 | 554,046 | 39,837 | 108,318 | 1,532,361 |
| Balance as at January 1, 2021 | $ 263,627 | 562,512 | 863,130 | 31,679 | 106,586 | 1,827,534 |
| Addition | - | 1,730 | 10,638 | 22,767 | 4,999 | 40,134 |
| Disposal | - | - | (32,545) | - | (729) | (33,274) |
| Balance as at December 31, 2021 | $ 263,627 | 564,242 | 841,223 | 54,446 | 110,856 | 1,834,394 |
| Depreciation and impairment loss: | | | | | | |
| Balance as at January 1, 2022 | $ - | 455,634 | 818,342 | 31,518 | 100,663 | 1,406,157 |
| Depreciation for the current period | - | 7,856 | 5,408 | 9,240 | 5,417 | 27,921 |
| Disposal | - | - | (293,906) | (25,974) | (11,897) | (331,777) |
| Balance as at December 31, 2022 | $ - | 463,490 | 529,844 | 14,784 | 94,183 | 1,102,301 |
| Balance as at January 1, 2021 | $ - | 448,166 | 847,315 | 30,131 | 97,149 | 1,422,761 |
| Depreciation for the current period | - | 7,468 | 3,572 | 1,387 | 4,243 | 16,670 |
| Disposal | - | - | (32,545) | - | (729) | (33,274) |
| Balance as at December 31, 2021 | $ - | 455,634 | 818,342 | 31,518 | 100,663 | 1,406,157 |
| Carrying amounts: | | | | | | |
| Balance as at December 31, 2022 | $ 263,627 | 103,043 | 24,202 | 25,053 | 14,135 | 430,060 |
| Balance as at December 31, 2021 | $ 263,627 | 108,608 | 22,881 | 22,928 | 10,193 | 428,237 |

Note 1: Transferred from payments for prepaid equipment.

(XI) Right of use assets

Changes in the cost, depreciation, and impairment losses of the land and buildings of the Company are detailed as follows:

| | | Housing and construction |
|---|---|---|
| Right of use asset costs: | | |
| Balance as at January 1, 2022 | $ | 73,810 |
| Addition | | 1,988 |
| Remeasurements due to change in lease term | | 7,324 |
| Disposal (early termination of the contract) | | (3,665) |
| Balance as at December 31, 2022 | **$** | **79,457** |
| Balance as at January 1, 2021 | $ | 38,839 |
| Addition | | 72,134 |
| Disposal (early termination of the contract) | | (37,163) |
| Balance as at December 31, 2021 | **$** | **73,810** |
| Right of use asset depreciation: | | |
| Balance as at January 1, 2022 | $ | 8,470 |
| Depreciation for the current period | | 14,793 |
| Disposal (early termination of the contract) | | (1,606) |
| Balance as at December 31, 2022 | **$** | **21,657** |
| Balance as at January 1, 2021 | $ | 19,419 |
| Depreciation for the current period | | 12,790 |
| Disposal (early termination of the contract) | | (23,739) |
| Balance as at December 31, 2021 | **$** | **8,470** |
| Carrying amounts: | | |
| Balance as at December 31, 2022 | **$** | **57,800** |
| Balance as at December 31, 2021 | **$** | **65,340** |

(XII) Investment real estate

Investment real estate constitutes the Company's own assets. Changes in the cost, depreciation, and impairment losses investment real estate of the Company are detailed as follows:

| | Land | Housing and construction | Total |
|---|---|---|---|
| Cost or deemed cost: | | | |
| Balance as at December 31, 2022 (i.e., balance as at January 1, 2022) | $ 69,908 | 7,174 | 77,082 |
| Balance as at December 31, 2021 (i.e., balance as at January 1, 2021) | $ 69,908 | 7,174 | 77,082 |

Depreciation and impairment loss:

| | Land | Housing and construction | Total |
|---|---|---|---|
| Balance as at January 1, 2022 | $ - | 717 | 717 |
| Depreciation for the current period | - | 179 | 179 |
| Balance as at December 31, 2022 | $ - | 896 | 896 |
| Balance as at January 1, 2021 | $ - | 538 | 538 |
| Depreciation for the current period | - | 179 | 179 |
| Balance as at December 31, 2021 | $ - | 717 | 717 |
| Carrying amount: | | | |
| Balance as at December 31, 2022 | $ 69,908 | 6,278 | 76,186 |
| Balance as at December 31, 2021 | $ 69,908 | 6,457 | 76,365 |
| Fair value: | | | |
| Balance as at December 31, 2022 | | | $ 159,156 |
| Balance as at December 31, 2021 | | | $ 163,110 |

The fair value of the Company's investment real estate is valued by the Company with reference to market evidence of similar real estate transaction prices.

(XIII) Intangible assets

Costs and amortization of the Company's intangible assets in 2022 are detailed as follows:

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

(XIV) Short-term loans

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Credit loans | $ - | $ 41,297 |
| Unused credit line | $ 1,384,924 | $ 1,223,246 |
| Interest rate range (%) | - | 0.71~0.88 |

(XV) Lease liabilities

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Current | $ 14,238 | 14,574 |
| Non current | 43,842 | 50,984 |
| | $ 58,080 | 65,558 |

For the maturity analysis, please refer to Note 6 (24).

Lease amounts recognized as profit or loss are as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest on lease liabilities | $ 847 | 587 |
| Expenses relating to leases of low value assets | $ 827 | 764 |

Lease amounts recognized in the statements of cash flows are as follows:

| | 2022 | 2021 |
|---|---|---|
| Total amount of net cash flows from operating activities | $ 1,674 | 1,351 |
| Total amount net cash flows from financing activities | 14,439 | 12,850 |
| Total cash flows from leases | $ 16,113 | 14,201 |

The Company leased land and buildings as factories and office premises on December 31, 2022 and 2021. Land and building leases are usually for a period of five years with an option to extend for the same period as the original contract at the expiry of the lease term.

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

As of December 31, 2022 and 2021, lease liabilities Increase by NTD 4,973 thousand due and decreased by NTD 13,436 thousand due to early termination and re-assessment of some lease contracts.

(XVI) Provisions

After-sales service provisions:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance as of January 1 | $ 63,475 | 36,165 |
| Newly added provisions for the period | 37,426 | 33,135 |
| Provisions used in the period | - | (881) |
| Current reversal provision | (14,697) | (4,944) |
| Ending balance as of December 31 | $ 86,204 | 63,475 |

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

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Current | $ 26,017 | 12,551 |
| Non current | 60,187 | 50,924 |
| | $ 86,204 | 63,475 |

Decommissioning, restoration, and rehabilitation costs - non current:

| | | 2022 | 2021 |
|---|---|---|---|
| Beginning balance as of January 1 | $ | 5,069 | 5,069 |
| Provisions used in the period | | (967) | - |
| Ending balance as of December 31 | $ | 4,102 | 5,069 |

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.

(XVII) 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) |
| Non-current net defined benefit liability | $ | 5,337 | $ | 8,405 |

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 |
|---|---|---|---|
| Defined benefit obligations 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) |
| Defined benefit obligations as at December 31 | **$** | **16,493** | **18,331** |

(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:

| | | 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 | **$** | **11,156** | **9,926** |

(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 |
| | **$** | **51** | **42** |

(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 | $ 2,940 | 226 |

(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 obligations is as follows:

| | Impact on defined benefit obligations | |
|---|---|---|
| | 0.25% increase | 0.25% decrease |
| 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

The Company's defined contribution plan is in accordance with the provisions of the Labor Pension Act. 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. Under this setup, after the Company has provided a fixed amount to the Bureau of Labor Insurance, there is no statutory or constructive obligation to pay an additional amount.

Pension expenses under the Company's 2022 and 2021 defined pension appropriation measures are NTD 4,794 thousand and NTD 4,934 thousand respectively, which have been allocated to the Bureau of Labor Insurance.

(XVIII) Income taxes

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

| | | 2022 | 2021 |
|---|---|---|---|
| Current income tax expense | | | |
| Current period | $ | 6,659 | 6,075 |
| Underestimation of income tax benefit for prior years | | (316) | 94 |
| | | 6,343 | 6,169 |
| Deferred tax expense (benefit) | | | |
| Occurrence and reversal of temporary differences | | (6,601) | 11,481 |
| Income tax expense (benefit) | $ | (258) | 17,650 |

Income tax benefit (expense) recognized by the Company 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 | $ | (543) | 10 |

The Company's 2022 and 2021 income tax expenses (benefits) and reconciliation with net profit before tax are detailed as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Net profit before tax | $ | 415,793 | 297,080 |
| Income tax calculated at the domestic tax rate of the Company's location | $ | 83,159 | 59,416 |
| Tax-exempt dividend income | | (25,633) | (23,116) |
| Valuation loss (gain) of financial assets | | (1,424) | 756 |
| Gain in investments 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 |
| Previous underestimation | (316) | 94 |
| Undistributed surplus earnings | 6,659 | 6,075 |
| Other | 1,331 | - |
| Total | $ (258) | 17,650 |

2. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Company 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 |
| | $ 4,220,654 | 4,499,344 |

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 Company will have sufficient taxable income for the temporary difference in the future.

As of December 31, 2022, the Company 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 | $ 1,596,547 | |

(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 for impairment losses | Expected credit impairment losses | Other | Total |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **January 1, 2022** | $ 6,751 | 4,749 | 14,252 | 25,752 |
| Credit (debit) profit and loss | 3,485 | (2,955) | 4,675 | 5,565 |
| Credit to other comprehensive income | - | - | (543) | (543) |
| **December 31, 2022** | **$ 10,596** | **1,794** | **18,384** | **30,774** |

| | **Inventory allowance for impairment losses** | **Expected credit impairment losses** | **Exchange losses** | **Other** | **Total** |
|---|---|---|---|---|---|
| **January 1, 2021** | $ 4,925 | 17,023 | 292 | 13,042 | 35,282 |
| Credit (debit) profit and loss | 1,826 | (12,274) | (292) | 1,200 | (9,540) |
| Credit to other comprehensive income | - | - | - | 10 | 10 |
| **December 31, 2021** | **$ 6,751** | **4,749** | **-** | **14,252** | **25,752** |

Deferred tax liabilities:

| | **Foreign exchange gains** |
|---|---|
| **January 1, 2022** | $ 1,968 |
| Debit (credit) profit and loss | (1,036) |
| **December 31, 2022** | **$ 932** |

| | **Foreign exchange gains** | **Other** | **Total** |
|---|---|---|---|
| **January 1, 2021** | $ - | 27 | 27 |
| Debit (credit) profit and loss | 1,968 | (27) | 1,941 |
| **December 31, 2021** | **$ 1,968** | **-** | **1,968** |

3. Income tax approval status

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

(XIX) 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** | **2021.12.31** |
|---|---|---|
| Additional paid-in capital - may be used to compensate for losses, distributed in cash, or | $ 1,934,757 | 2,010,421 |

| | | |
|---|---|---|
| recapitalized. | | |
| Additional paid-in capital may be used - only to compensate for prior losses. | 50,804 | 50,804 |
| 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 |
| | $ 2,001,516 | 2,077,180 |

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 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 onJune 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)

| | Exchange differences on translation of foreign financial statements | 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 statements | (110,763) | - | (110,763) |
| 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 | $ (89,969) | 1,152,720 | 1,062,751 |

(XX) Earnings per share

Basic EPS and diluted EPS for 2022 and 2021 are calculated as follows:
Unit: Thousand shares

| | 2022 | 2021 |
|---|---|---|
| Basic EPS: | | |
| Net profit attributable to holders of ordinary shares of the Company | $ 416,051 | 279,430 |
| Weighted average number of ordinary shares outstanding | 151,328 | 151,328 |
| Basic EPS (Unit: New Taiwan Dollars) | $ 2.75 | 1.85 |
| Diluted EPS: | | |
| Net profit attributable to holders of ordinary shares of the Company | $ 416,051 | 279,430 |
| 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 shares outstanding (diluted) | 151,718 | 151,660 |
| Diluted EPS (Unit: New Taiwan Dollars) | $ 2.74 | 1.84 |

(XXI) Revenue from contracts with customers

1. Details of revenue

| | 2022 | | |
|---|---|---|---|
| | Optoelectronics Division | Electromechanical Division | Total |
| Principal regional markets: | | | |
| Asia | $ 116,835 | 1,428 | 118,263 |
| Americas | 27,406 | - | 27,406 |
| Taiwan | 734,012 | 669,174 | 1,403,186 |
| | $ 878,253 | 670,602 | 1,548,855 |

| | 2021 | | |
|---|---|---|---|
| | Optoelectronics Division | Electromechanical Division | Total |
| Principal regional markets: | | | |
| Asia | $ 156,395 | 1,061 | 157,456 |
| Americas | 14,686 | - | 14,686 |
| Taiwan | 713,863 | 566,290 | 1,280,153 |
| | $ 884,944 | 567,351 | 1,452,295 |

2. Contract balances

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|---|---|---|---|
| Notes receivable | $ 113,919 | 139,266 | 131,181 |
| Accounts receivable | 96,903 | 159,832 | 82,781 |
| Accounts receivable - related parties | 24,026 | 15,476 | 321 |
| Less: Loss allowance－notes receivable | (10,967) | (27,548) | (8,609) |
| Less: Loss allowance - accounts receivable | (1,007) | - | (165) |
| Total | $ 222,874 | 287,026 | 205,509 |
| Contract Liabilities - Merchandise Sales | $ 5,579 | 6,028 | 14,983 |

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.

(XXII) 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 2021were 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).

(XXIII) Non-operating revenue and expenses

1. Interest income

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

| | 2022 | 2021 |
|---|---|---|
| Bank deposit interest | $ 3,544 | 490 |

2. Other income

Details of other income of the Company are as follows:

| | 2022 | 2021 |
|---|---|---|
| Lease income | $ 2,292 | 2,215 |
| Dividend income | 128,166 | 115,581 |
| Other income | 5,735 | 5,606 |
| | $ 136,193 | 123,402 |

3. Other gains and losses

Other gains and losses of the Company are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Proceeds from disposal of property, plant and equipment | $ 15,990 | $ 120 |
| Proceeds from disposal of non-current assets held for sale | - | 65,633 |
| Foreign currency exchange loss, net | 29,528 | (4,071) |
| Gain (loss) on financial assets at fair value through profit or loss | 7,120 | (3,780) |
| Investment real estate depreciation expense | (179) | (179) |
| Other | (11) | (477) |
| | $ 52,448 | 57,246 |

4. Finance costs

The finance costs of the Company are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Bank loans | $ 289 | 168 |

| | | | |
|---|---|---|---|
| Lease liabilities | | 847 | 587 |
| Other | | 3 | 3 |
| | $ | 1,139 | 758 |

(XXIV) Financial instruments

1. Credit risk

(1) Credit risk exposure

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 Company as at 31 December 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 Company manages and maintains sufficient cash and cash equivalents to support the Company's operations and mitigate the impact of fluctuations in cash flow. The Company'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) | | 223,027 | 223,027 | 223,027 | - | - | - |
| Other payables | | 150,685 | 150,685 | 150,685 | - | - | - |
| Lease liabilities | | 58,080 | 59,635 | 14,909 | 14,909 | 29,817 | - |
| Deposits received | | 400 | 400 | 25 | 155 | 220 | - |
| Other non-current liabilities | | 61,312 | 61,312 | - | - | - | 61,312 |
| | $ | 494,050 | 495,605 | 389,192 | 15,064 | 30,037 | 61,312 |
| **December 31, 2021** | | | | | | | |
| Non derivative financial liabilities | | | | | | | |
| Short-term loans | $ | 41,297 | 41,414 | 41,414 | - | - | - |
| Notes payable | | 675 | 675 | 675 | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accounts payable (including related parties) | 239,993 | 239,993 | 239,993 | - | - | - |
| Other payables | 139,174 | 139,174 | 139,174 | - | - | - |
| Lease liabilities | 65,558 | 67,521 | 15,341 | 29,817 | 22,363 | - |
| Deposits received | 414 | 414 | 414 | - | - | - |
| Other non-current liabilities | 55,262 | 55,262 | - | - | - | 55,262 |
| | $ 542,373 | 544,453 | 437,011 | 29,817 | 22,363 | 55,262 |

The Company 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 Company's financial assets and liabilities exposed to 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** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| US Dollar | $ 8,964 | 30.7100 | 275,274 | 18,524 | 27.6800 | 512,743 |
| JPY | 164,474 | 0.2324 | 38,224 | 11,418 | 0.2405 | 2,746 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| US Dollar | 6,554 | 30.7100 | 201,287 | 8,594 | 27.6800 | 237,886 |

(2) Sensitivity analysis

The Company'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 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 NTD 5,611 thousand and NTD 13,880 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 Company, 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 approximately NTD 29,528 thousand and NTD (4,071) 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 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 Company 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 increased or decreased by approximately NTD 0 thousand and NTD 410 thousand respectively, mainly due to the Company's variable interest rate borrowings.

5. Other market price risk

Sensitivity analyses for changes in securities prices vs. impact on items of comprehensive income at the reporting date are shown as follows (the analysis is performed on the same basis for both periods and assuming other variables remain constant):

| **Price of securities at reporting date** | **2022** | **2021** |
|---|---|---|
| Up 5% | $ 167,576 | 164,364 |
| Down 5% | $ (167,576) | (164,364) |

6. Fair value information

(1) Hierarchy and fair value of financial instruments

The Company'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, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and of lease liabilities, disclosure of fair value information is not required by the regulations:

| | **2022.12.31** | | | | |
|---|---|---|---|---|---|
| | | **Fair value** | | | |
| | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| 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 | | | | | |

| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| comprehensive income | | | | | |
| 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 | 474,968 | - | - | - | - |
| Current financial assets at amortised cost | 30,710 | - | - | - | - |
| Notes receivable and accounts receivable (including related parties) | 222,874 | - | - | - | - |
| Other receivables | 2,201 | - | - | - | - |
| Other receivables - related parties | 1,790 | - | - | - | - |
| Refundable deposits | 5,211 | - | - | - | - |
| Subtotal | 737,754 | - | - | - | - |
| Total | $ 4,164,249 | 3,409,353 | - | 17,142 | 3,426,495 |
| Financial liabilities measured at amortized cost | | | | | |
| Notes payable and accounts payable (including related parties) | $ 223,573 | - | - | - | - |
| Other payables | 150,685 | - | - | - | - |
| Lease liabilities | 58,080 | - | - | - | - |
| Deposits received | 400 | - | - | - | - |
| Other non-current liabilities | 61,312 | - | - | - | - |
| Total | $ 494,050 | - | - | - | - |

| | 2021.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| 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 amortized cost | | | | | |
| Cash and cash equivalents | 279,313 | - | - | - | - |
| Notes receivable and accounts receivable (including related parties) | 287,026 | - | - | - | - |
| Other receivables | 1,814 | - | - | - | - |
| Other receivables - related parties | 122,700 | - | - | - | - |
| Refundable deposits | 6,192 | - | - | - | - |
| Subtotal | 697,045 | - | - | - | - |
| Total | $ 4,041,457 | 3,328,770 | - | 15,642 | 3,344,412 |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | $ 41,297 | - | - | - | - |
| Notes payable and accounts payable (including related parties) | 240,668 | - | - | - | - |
| Other payables | 139,174 | - | - | - | - |
| Lease liabilities | 65,558 | - | - | - | - |
| Deposits received | 414 | - | - | - | - |
| Other non-current liabilities | 55,262 | - | - | - | - |
| Total | $ 542,373 | - | - | - | - |

(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 Company, 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 balance sheet date.

Financial instruments held by the Company constitute equity instruments 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 Company 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.

(XXV) Financial risk management

The Company'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 Company'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 Company 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 Company 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 Company caused by a counterparty defaulting on its contractual obligations. As of the balance sheet date, the Company'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 Company is to only deal with reputable parties, and, if necessary, obtain sufficient guarantee to reduce the risk of financial loss due to default. The Company 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 counterparty's credit limit, which is reviewed and approved by the Company's most competent personnel every year.

The Company continuously evaluates the financial status of accounts receivable customers. The Company 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 Company defines it as a counterparty with similar characteristics. The Company has no significant concentration of credit risk.

2. Liquidity risk

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

The Company'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 Company. As at December 31, 2022 and 2021, the Company's unutilized short-term bank facilities amounted to NTD 1,384,924 thousand and NTD 1,223,246 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 Company'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 Company 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 Company. 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 Company. Therefore, the Company currently adopts natural hedging as the main exchange rate avoidance policy in terms of exchange rate risk.

(2) Interest rate risk

The Company's financial assets with fair value risk from changes in interest 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 Company’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 Company 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.

(XXVI) Capital management

The Company'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 Company 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.

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

The Company'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 leasing, please refer to Note 6 (11).
2. Reconciliation of liabilities from financing activities is as follows:

| | | | Non cash changes | | |
|---|---|---|---|---|---|
| | **2022.1.1** | **Cash flows** | **Addition** | **Disposal and Remeasurement Contracts in the Current Period** | **2022.12.31** |
| Short-term loans | $ 41,297 | (41,297) | - | - | - |
| Lease liabilities | 65,558 | (14,439) | 1,988 | 4,973 | 58,080 |
| Total liabilities from financing activities | $ 106,855 | (55,736) | 1,988 | 4,973 | 58,080 |

| | | | Non cash changes | | |
|---|---|---|---|---|---|
| | **2021.1.1** | **Cash flows** | **Addition** | **Disposal and Remeasurement Contracts in the Current Period** | **2021.12.31** |
| Short-term loans | $ 5,034 | 36,263 | - | - | 41,297 |
| Lease liabilities | 19,710 | (12,850) | 72,134 | (13,436) | 65,558 |
| Total liabilities from financing activities | $ 24,744 | 23,413 | 72,134 | (13,436) | 106,855 |

VII. Related party transactions

(I) Names and relationship with related parties

Related parties having transactions with the Company during the period covered by the parent company only financial statements are as follows:

| **Name of related party** | **Relationship with the Company** |
|---|---|
| Young Fast (BELIZE) Co., Ltd. (Young Fast Belize) | Subsidiaries of the Company |
| Young Fast (SAMOA) Co., Ltd. (Young Fast Samoa) | Subsidiaries of the Company |
| Young Fast Optoelectronics (VIETNAM) | Subsidiaries of the Company |

| | |
|---|---|
| Co., Ltd. (Young Fast Vietnam) | |
| Young Fast Optoelectronics (HK) Co., Ltd. (Young Fast Hong Kong) | Subsidiaries of the Company |
| Tengyang Optoelectronics (Huizhou) Co., Ltd. (Tengyang Optoelectronics) | Subsidiaries of the Company |
| Taiwan SRU Corporation Limited (Taiwan SRU) | Subsidiaries of the Company |
| 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) |
| Hold-Key Electric Wire & Cable Co., Ltd. (Hold-Key) | Other related parties (major shareholders of the Company) |
| Epoch Chemtronics Corp (Epoch) | Associate of the Company |

(II) Significant transactions with related parties

1. Operating revenue

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

| **Related party** | **2022** | **2021** |
|---|---|---|
| Subsidiaries of the Company | $ 3,429 | 3,273 |
| Hold-Key | 141,164 | 90,014 |
| | **$ 144,593** | **93,287** |

2. Purchase and processing costs

Amounts of purchase, provide labor services and processing costs between the Company and related parties are as follows:

| **Related party** | **2022** | **2021** |
|---|---|---|
| Young Fast Vietnam | $ 475,177 | 576,858 |
| Taiwan SRU Corp. | 135,035 | 127,819 |
| Tengyang Optoelectronics | 3,993 | 3,890 |
| Other related parties | 111 | 7,882 |
| Associate of the Company | 11 | - |
| | **$ 614,327** | **716,449** |

The Company's purchase, sales, provide labor services 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 Company and the related parties are mutually negotiated.

3. Receivables from related parties

Details of the Company'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 receivables | Young Fast Vietnam | 1,001 | - |
| | Subsidiaries of the Company | 788 | 791 |
| | Other related parties | 1 | - |
| | | $ 25,816 | 16,267 |

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

4. Payable to related parties

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

| Accounts | Related Party Category/Name | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Accounts payable | Young Fast Vietnam | $ 93,363 | 69,731 |
| | Taiwan SRU Corp. | 46,494 | 39,359 |
| | Other related parties | 36 | 102 |
| | Subtotal | 139,893 | 109,192 |
| Other payables | Young Fast Vietnam | 20 | - |
| | Other related parties | 416 | 486 |
| | | $ 140,329 | 109,678 |

5. Lease expenses

The Company leased a factory from Hold-Key in January 2018, negotiating the lease according to the agreed price and signing five-year lease contract with a total contract value of NTD 50,046 thousand. In April 2022, the Company renewed a five-year lease contract with Hold-Key for a portion of the above contract. The total value of the renewed contract was $72,868 thousand. As of December 31, 2022, lease liabilities decreased by NTD 4,973 thousand due to early termination of a portion of the above lease contract. The interest expense recognized by the Company for the above lease liabilities in 2022 and 2021 was NTD 847 thousand and NTD 587 thousand respectively, and the balances of unpaid lease liabilities as of December 31, 2022 and 2021 was NTD 58,080 thousand and NTD 65,558 thousand.

6. Loans to related parties

| Accounts | Related Party Category/Name | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Other receivables | Young Fast Belize | $ - | 121,792 |

| Accounts | Related Party Category/Name | 2022 | 2021 |
|---|---|---|---|
| Interest income | Young Fast Belize | $ 341 | 327 |
| | Young Fast Vietnam | - | 5 |
| | | $ 341 | 332 |

The Company was approved by the Board of Directors to provide short-term loans to Young Fast Belize. The annual interest rates in 2022 and 2021 respectively ranged at 0.65% and 0.20%-0.65%. Interest receivable as of December 31, 2022 and 2021 respectively amounted to NTD 0 thousand and NTD 117 thousand, having been accounted for under other receivables due from related parties.

7. Endorsements / guarantees provided

The amounts of endorsements/guarantees by the Company to related parties is as follows:

| | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|
| Related party | Endorsement/ guarantee amount | Usage amount | Endorsement/ guarantee amount | Usage amount |
| Subsidiary | | | | |
| Young Fast Vietnam | $ 138,195 | - | 249,120 | 33,216 |
| Young Fast Samoa | 767,750 | - | 1,439,360 | 58,128 |
| Total | $ 905,945 | - | 1,688,480 | 91,344 |

The Company's unutilized bank facilities shared with subsidiaries as at December 31, 2022 and 2021 amounted to NTD 905,945 thousand and NTD 725,216 thousand respectively.

(III) Remuneration of key management personnel

Remuneration of key management personnel

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 37,233 | 31,724 |
| Retirement benefits | 484 | 466 |
| | $ 37,717 | 32,190 |

VIII. Pledged assets: None.

IX. Significant commitments and contingencies

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

| | 2022.12.31 | | 2021.12.31 | |
|---|---|---|---|---|
| JPY | JPY | 131,103 | JPY | 28,667 |
| USD | USD | 85 | USD | 349 |
| NTD | 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 | 50,550 | 103,859 | 154,409 | 48,438 | 104,959 | 153,397 |
| Health and labor insurance | 4,867 | 5,480 | 10,347 | 4,862 | 6,387 | 11,249 |
| Pension | 2,573 | 2,272 | 4,845 | 2,461 | 2,515 | 4,976 |
| Director's remuneration | - | 7,892 | 7,892 | - | 6,385 | 6,385 |
| Other employee benefit expenses | 2,214 | 1,300 | 3,514 | 2,066 | 1,217 | 3,283 |
| Depreciation expense (Note) | 31,278 | 11,436 | 42,714 | 19,114 | 10,346 | 29,460 |
| Amortization expense | 335 | 553 | 888 | 73 | 5 | 78 |

Note: Depreciation expenses incurred for investment real estate in 2020 and 2021 were NTD 179 thousand both, accounted under other gains and losses.

Additional information on the number of employees and employee benefit expenses of the Company in 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Number of employees | 148 | 153 |
| Number of directors not concurrently serving as employees | 5 | 5 |
| Average employee benefit expense | $ 1,211 | 1,168 |
| Average employee salary expense | $ 1,080 | 1,036 |
| Adjustment of average employee salary expenses | 4.25% | 3.19% |
| Supervisor remuneration | $ - | - |

Information on the Company's salary and remuneration policy (including directors, supervisors, managers, and employees) is as follows:

(I) Remuneration of directors

1. Remuneration of directors

Remuneration of directors of the Company is based on provisions of Article 24 of the Company's Articles of Incorporation, such that if there is profit for the year then not more than 1.5% shall be set aside as remuneration for directors.

The remuneration of non-independent directors who participate in the daily operations of the Company shall be governed by Article 21 of the Articles of Incorporation of the Company. The Board of Directors is authorized to receive remuneration according to the management responsibilities of directors and the degree of operational participation and the value of their contributions, as well as the usual level of payment in the industry.

Basic salaries, position bonuses, allowance, various bonuses and benefits, pensions, severance pay, and other salaries of non-independent directors in the Company's daily operations are handled in accordance with the Company's Salary Management Measures.

2. Remuneration of functional committee members

Remuneration for the Audit Committee stands at a fixed monthly remuneration of NTD 40 thousand. Remuneration for serving as a functional committee member other than for the Audit Committee shall be submitted to the Remuneration Committee and the Board of Directors for discussion and approval. Remuneration for the resigning committee members in the current year shall be calculated through the end of the month of resignation. For newly elected members, calculation of remuneration begins on the first day of the month following their election.

3. Expenses related to business execution

For independent directors or for external committee members other than independent directors serving as functional committee members, the travel fee for each meeting is NTD 10 thousand.

(II) Remuneration of employees and managers

1. Employee remuneration

Remuneration of employees of the Company is based on provisions of Article 24 of the Company's Articles of Incorporation, such that if there is profit for the year then not less than 2% shall be set aside for employees’ remuneration. Employee salary is based on the Company’s Salary Management Measures and with reference to market salary conditions and organizational structure, and are adjusted according to market salary trends and government regulations in a timely manner.

2. Remuneration of managers

Basic salaries, position bonuses, allowance, various bonuses and benefits, pensions, severance pay, and other salaries of managers who are not directors of the Company are handled in accordance with the Company's Salary Management Measures.

## 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 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 range (%) | 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.

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 | 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 | Maximum endorsement/ guarantee amount (Note 3) | Parent company to subsidiary Endorsem | Subsidiary to parent company | Endorsement/guarantee for the Mainland |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Relationship (Note 2) | | | | | | | | | | |

| | | | | (Note 3) | | | | | most recent financial statements (%) | | ent/guarantee | Endorsement/guarantee | China region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | | | | 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% | - | |
| | Ritfast Corporation | - | " | 245 | - | 0.74% | - | |
| | Shares: | | | | | | | |
| | First Financial Holding Co.,Ltd. | - | Financial assets at fair value through other comprehensive income-current | 28,133 | 745,533 | 0.21% | 745,333 | |
| | Mega Financial Holding Company Limited | - | " | 23,319 | 707,724 | 0.17% | 707,724 | |
| | Taiwan Cooperative Financial Holding Co., Ltd. | - | " | 55,445 | 1,389,557 | 0.38% | 1,389,557 | |
| | Taiwan Business Bank | - | " | 13,732 | 177,832 | 0.17% | 177,832 | |
| | Taiwan Fertilizer Co., Ltd. | - | " | 2,039 | 109,087 | 0.21% | 109,087 | |
| | Cathay Financial Holdings Co., Ltd. | - | " | 1,672 | 66,887 | 0.01% | 66,887 | |
| | | | | | 3,196,620 | | 3,196,620 | |
| 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 | 137,763 | 4.98% | 137,763 | |
| | Sol Young Enterprises Co., Ltd. | Corporate director of the Company | " | 356 | 12,610 | 0.55% | 12,610 | |
| | ICP Technology Co., Ltd. | - | " | 295 | 3,032 | 0.94% | 3,032 | |
| | Willide Optoelectronics Co., Ltd. | - | " | 1.5 | 1,500 | 15.00% | 1,500 | |
| | | | | | 154,905 | | 154,905 | |

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

5.Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

6.Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

7.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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchased (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 | Note1 | 24,026 | 10.78 | |
| The Company | Young Fast Vietnam | Sub-subsidiary | Purchase of goods | 475,177 | 47.20 | Note 1 | Note1 | Note1 | (93,363) | (41.76) | |
| The Company | Taiwan SRU Corp. | Subsidiary | Purchase of goods | 135,035 | 13.41 | Note 1 | Note1 | Note1 | (46,494) | (20.80) | |
| Young Fast Vietnam | The Company | Parent company | Sales | (475,177) | 99.96 | Note 1 | Note1 | Note1 | 93,363 | 100.00 | |
| Taiwan SRU Corp. | The Company | Parent company | Sales | (135,035) | 100.00 | Note 1 | Note1 | Note1 | 46,494 | 100.00 | |

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

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

9. Trading in derivative instruments: None.

(II) Information on investees

Information on the company's reinvestment business 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 | | | 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% | - | 4,522 | 4,522 | Note 5 |
| " | Young Fast Samoa | Samoa | Professional investment | 1,946,551 (USD 66,500 ) | 1,262,218 (USD 43,000 ) | 57,195 | 100.00% | 866,518 | (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 | 43,621 | 18,544 | Note 1 |
| " | Epoch | Taiwan | Optical instruments | 150,626 | 150,626 | 8,080 | 23.75% | 327,189 | 221,374 | 52,576 | |
| Young Fast Belize | Young Fast Hong Kong | Hong Kong | Professional investment | - | 3,093,236 (USD 103,080 ) | - | 100.00% | - | 4,624 | 4,624 | Note 3 |
| 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 | (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: On November 13, 2019, the Board of Directors of the Company passed a resolution for the liquidation of Young Fast Hong Kong, and all liquidation procedures were completed on August 19, 2022.

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

Note 5: 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 (%) | 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 | 431 | 2,518 | - |

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

(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 by the equity method.

Note 3: 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

| Shares<br>Name of major shareholder | Number of shares held | Percentage 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 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

Please refer to the 2022 consolidated financial statements for details.

# Young Fast Optoelectronics Co., Ltd.

**Chairman：Chihchiang Pai**