

Young Optics Inc. and Subsidiaries
Consolidated Financial Statements
And
Independent Auditors' Report
For The Years Ended December 31, 2023 and 2022

Company Address: No.7, Hsin-Ann Rd., Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.
Company Telephone: +886-3-620-6789

Representation Letter

The entities that are required to be included in the combined financial statements of Young Optics Inc. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Young Optics Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Young Optics Inc.

By

Sarah Lin
Chairman

February 23, 2024

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Young Optics Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Young Optics Inc. and its subsidiaries (“the Group”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. 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.

Valuation for inventories

As of December 31, 2023, the Group's net inventory amounted to NT\$444,490 thousand, which is significant for the consolidated financial statements. Due to the uncertainties arising from the rapid changes of technology and market environment, the assessment of obsolete and slow-moving inventory write-downs required significant management judgement, we therefore determined this as a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the inventory counting plan and choosing significant warehouse for observation of the physical inventory count to verify the quantity and the status; evaluating and testing net realizable value of inventories adopted by the management; evaluating the reasonableness of the accounting policies on obsolete and slow-moving inventory, including the identification of the obsolete and slow-moving inventory, testing the correctness of the inventory aging and the reasonableness of the allowance for inventory obsolescence amount. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the Group's consolidated financial statements.

Revenue recognition

The Group recognized the revenue amounted to NT\$3,010,369 thousand for the year ended December 31, 2023. Main source of revenue comes from projection products and imaging-related products sales. The Group recognized revenue when transferring a promised product to a customer. The terms of trade in the products agreed in their contracts are different when the performance obligations were satisfied. As a result of the higher complexity of revenue recognition, we determined the matter to be a key audit matter. Our audit procedures include, but not limited to, assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal controls within the revenue recognition; selecting the top ten clients to perform testing of transaction and reviewing significant terms and conditions in the contracts; selecting samples to perform details testing of transaction and verifying the appropriateness of the timing of revenue recognition; viewing their transactions certificate and performing cut-off procedures on selected samples for a period before and after the reporting date; reviewing subsequent significant sales returns and discounts. Please refer to Notes 4 and 6 to the Group's consolidated financial statements.

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 International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial 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 the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Group.

Auditors' 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 auditors' 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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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 the 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 the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of Young Optics Inc. as of and for the years ended December 31, 2023 and 2022.

/s/Chen, Chih-Chung

/s/Chiu, Wan-Ju

Ernst & Young, Taiwan
February 23, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Young Optics Inc. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2023	%	December 31, 2022	%	LIABILITIES AND EQUITY	Note	December 31, 2023	%	December 31, 2022	%
Current assets						Current liabilities					
Cash and cash equivalents	4 and 6 (1)	\$1,071,067	23	\$1,385,234	25	Short-term borrowings	6 (9)	\$104,344	2	\$49,648	1
Current financial asset at fair value through profit or loss	4 and 6 (2)	-	-	196	-	Contract liabilities-current	6 (14) and 7	69,192	2	77,368	1
Notes receivable, net	4, 6 (3) and 6 (15)	18,272	-	18,176	-	Notes payable		352	-	503	-
Trade receivable, net	4, 6 (4) and 6 (15)	353,180	7	528,658	10	Accounts payable		262,303	6	305,191	6
Trade receivable-related parties, net	4, 6 (4), 6 (15) and 7	119,505	3	106,022	2	Accounts payable-related parties	7	331	-	-	-
Other receivables		10,778	-	14,362	-	Other payables		325,975	7	480,713	9
Other receivables-related parties	7	97,186	2	32,061	1	Other payables-related parties	7	98,673	2	34,716	1
Current tax assets	4 and 6 (20)	11,933	-	9,920	-	Current tax liabilities	4 and 6 (20)	10,579	-	24,324	-
Inventories, net	4 and 6 (5)	444,490	9	689,120	12	Provisions-current	4 and 6 (12)	23,881	-	28,968	1
Prepayments		26,732	1	22,012	-	Lease liabilities, non-related parties	4 and 6 (16)	20,144	-	22,036	-
Other current financial assets	8	-	-	14	-	Lease liabilities, related parties	4, 6 (16) and 7	27,064	1	27,053	1
Other current assets		37,934	1	102,731	2	Current portion of long-term borrowings	6 (10)	301,879	7	414,871	7
Total current assets		<u>2,191,077</u>	<u>46</u>	<u>2,908,506</u>	<u>52</u>	Other current liabilities	4	17,642	-	15,956	-
						Total current liabilities		<u>1,262,359</u>	<u>27</u>	<u>1,481,347</u>	<u>27</u>
Non-current assets						Non-current liabilities					
Property, plant and equipment, net	4, 6 (6), 6 (17) and 8	1,884,376	40	1,979,410	36	Long-term borrowings	6 (10)	114,838	2	416,944	7
Right-of-use assets	4 and 6 (16)	332,805	7	354,120	6	Deferred tax liabilities	4 and 6 (20)	23,927	-	23,927	-
Investment property, net	4, 6 (7), 6 (17) and 8	136,161	3	144,231	3	Lease liabilities, non-related parties-noncurrent	4 and 6 (16)	307,831	7	324,912	6
Intangible assets	4, 6 (8) and 6 (17)	75,201	2	90,352	2	Guarantee deposits		11,619	-	6,681	-
Deferred tax assets	4 and 6 (20)	26,681	1	30,344	1	Total non-current liabilities		<u>458,215</u>	<u>9</u>	<u>772,464</u>	<u>13</u>
Refundable deposits		12,400	-	12,961	-	Total liabilities		<u>1,720,574</u>	<u>36</u>	<u>2,253,811</u>	<u>40</u>
Net defined benefit assets-noncurrent	4 and 6 (11)	24,784	1	20,448	-						
Other non-current financial assets	8	24,194	-	21,878	-	Equity attributable to owners of the parent					
Other non-current assets		8,977	-	4,008	-	Capital					
Total non-current assets		<u>2,525,579</u>	<u>54</u>	<u>2,657,752</u>	<u>48</u>	Common stock	6 (13)	1,140,598	24	1,140,598	21
						Capital surplus	6 (13)	1,648,205	35	1,648,711	30
						Retained earnings	6 (13)				
						Legal reserve		393,148	8	386,690	7
						Special reserve		150,667	3	211,914	4
						Unappropriated retained earnings(Accumulated deficit)		(168,132)	(3)	64,582	1
						Total retained earnings		<u>375,683</u>	<u>8</u>	<u>663,186</u>	<u>12</u>
						Other equity		<u>(168,876)</u>	<u>(3)</u>	<u>(150,667)</u>	<u>(3)</u>
						Total equity attributable to owners of the parent		<u>2,995,610</u>	<u>64</u>	<u>3,301,828</u>	<u>60</u>
						Non-controlling interests	6 (13)	<u>472</u>	<u>-</u>	<u>10,619</u>	<u>-</u>
						Total equity		<u>2,996,082</u>	<u>64</u>	<u>3,312,447</u>	<u>60</u>
Total assets		<u>\$4,716,656</u>	<u>100</u>	<u>\$5,566,258</u>	<u>100</u>	Total liabilities and equity		<u>\$4,716,656</u>	<u>100</u>	<u>\$5,566,258</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Young Optics Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Note	For the year ended December 31		For the year ended December 31	
		2023	%	2022	%
Net sales	4, 6 (14) and 7	\$3,010,369	100	\$4,683,503	100
Operating costs	6 (5), 6 (16), 6 (17) and 7	(2,693,747)	(89)	(3,874,230)	(83)
Gross profit		316,622	11	809,273	17
Operating expenses	6 (15), 6 (16), 6 (17) and 7				
Selling expenses		(123,116)	(4)	(140,240)	(3)
General and administrative expenses		(159,004)	(5)	(209,512)	(5)
Research and development expenses		(345,999)	(12)	(441,513)	(9)
Total operating expenses		(628,119)	(21)	(791,265)	(17)
Operating (loss) income		(311,497)	(10)	18,008	-
Non-operating income and expenses					
Interest income	6 (18)	28,578	1	19,363	-
Other income	6 (16) and 6 (18)	46,647	2	43,944	1
Other gains and losses	6 (18)	(31,508)	(1)	37,388	1
Finance costs	6 (18)	(20,906)	(1)	(22,455)	-
Total non-operating income and expenses		22,811	1	78,240	2
Net (loss) income before tax		(288,686)	(9)	96,248	2
Income tax income (expense)	4 and 6 (20)	939	-	(29,877)	(1)
Net (loss) income		(287,747)	(9)	66,371	1
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6 (19)	(253)	-	(85)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	6 (19)	50	-	17	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6 (19)	(18,237)	(1)	62,418	2
Income tax related to items that may be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive (loss) income, net of tax		(18,440)	(1)	62,350	2
Total comprehensive (loss) income		<u>\$(306,187)</u>	<u>(10)</u>	<u>\$128,721</u>	<u>3</u>
Net (loss) income for the periods attributable to :					
Shareholders of the parent	6 (21)	\$(287,300)		\$64,650	
Non-controlling interests	6 (13)	(447)		1,721	
		<u>\$(287,747)</u>		<u>\$66,371</u>	
Total comprehensive (loss) income for the periods attributable to :					
Shareholders of the parent		\$(305,712)		\$127,015	
Non-controlling interests		(475)		1,706	
		<u>\$(306,187)</u>		<u>\$128,721</u>	
Basic (Loss) Earnings Per Share (in New Taiwan Dollars)	6 (21)	<u>\$(2.52)</u>		<u>\$0.57</u>	
Diluted (Loss) Earnings Per Share (in New Taiwan Dollars)	6 (21)	<u>\$(2.52)</u>		<u>\$0.57</u>	

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Young Optics Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent							Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity	Total		
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign operations			
Balance as of January 1, 2022	\$1,140,598	\$1,648,711	\$383,980	\$187,523	\$27,101	\$(213,100)	\$3,174,813	\$9,022	\$3,183,835
Appropriation and distribution of retained earnings									
Legal reserve	-	-	2,710	-	(2,710)	-	-	-	-
Special reserve	-	-	-	24,391	(24,391)	-	-	-	-
Total appropriation and distribution of retained earnings	-	-	2,710	24,391	(27,101)	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	64,650	-	64,650	1,721	66,371
Other comprehensive (loss) income for the year ended December 31, 2022	-	-	-	-	(68)	62,433	62,365	(15)	62,350
Total comprehensive income	-	-	-	-	64,582	62,433	127,015	1,706	128,271
Decrease of non-controlling interests	-	-	-	-	-	-	-	(109)	(109)
Balance as of December 31, 2022	<u>\$1,140,598</u>	<u>\$1,648,711</u>	<u>\$386,690</u>	<u>\$211,914</u>	<u>\$64,582</u>	<u>\$(150,667)</u>	<u>\$3,301,828</u>	<u>\$10,619</u>	<u>\$3,312,447</u>
Balance as of January 1, 2023	\$1,140,598	\$1,648,711	\$386,690	\$211,914	\$64,582	\$(150,667)	\$3,301,828	\$10,619	\$3,312,447
Appropriation and distribution of retained earnings									
Legal reserve	-	-	6,458	-	(6,458)	-	-	-	-
Reversal of special reserve	-	-	-	(61,247)	61,247	-	-	-	-
Total appropriation and distribution of retained earnings	-	-	6,458	(61,247)	54,789	-	-	-	-
Net loss for the year ended December 31, 2023	-	-	-	-	(287,300)	-	(287,300)	(447)	(287,747)
Other comprehensive loss for the year ended December 31, 2023	-	-	-	-	(203)	(18,209)	(18,412)	(28)	(18,440)
Total comprehensive loss	-	-	-	-	(287,503)	(18,209)	(305,712)	(475)	(306,187)
Difference between the actual acquisition or disposal price and the carrying amount of the subsidiary's equity	-	(506)	-	-	-	-	(506)	-	(506)
Decrease of non-controlling interests	-	-	-	-	-	-	-	(9,672)	(9,672)
Balance as of December 31, 2023	<u>\$1,140,598</u>	<u>\$1,648,205</u>	<u>\$393,148</u>	<u>\$150,667</u>	<u>\$(168,132)</u>	<u>\$(168,876)</u>	<u>\$2,995,610</u>	<u>\$472</u>	<u>\$2,996,082</u>

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Young Optics Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2023	2022		2023	2022
Cash flows from operating activities :			Cash flows from investing activities :		
Net (loss) income before tax	\$(288,686)	\$96,248	Disposals of subsidiary	\$-	\$860
Adjustments for:			Acquisition of property, plant and equipment	(161,278)	(198,701)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	-	452
Depreciation	314,865	320,237	Acquisition of intangible assets	(9,290)	(11,447)
Amortization	18,789	19,167	Decrease (increase) in refundable deposits	561	(1,600)
Expected credit (gain) loss	(11)	249	Decrease (increase) in other financial assets-current	14	(1)
Net loss on financial assets and liabilities at fair value through profit or loss	12,465	5,806	Increase in other financial assets-noncurrent	(2,316)	(10)
Interest expense	20,906	22,455	(Increase) decrease in other non-current assets	(5,153)	9,350
Interest income	(28,578)	(19,363)	Net cash used in investing activities	(177,462)	(201,097)
Loss on disposal of property, plant and equipment	1,151	9,291			
Transfer of property, plant and equipment to expense	-	4	Cash flows from financing activities :		
Gain on disposal of investments	-	(531)	Decrease in short-term borrowings	54,696	(80,352)
Changes in operating assets and liabilities:			Increase in long-term borrowings (including current portion of long-term borrowings)	112,900	-
Financial assets and liabilities at fair value through profit or loss	(12,269)	(4,909)	Repayments of long-term borrowings (including current portion of long-term borrowings)	(527,998)	(319,563)
Notes receivable	(96)	(1,367)	Increase (decrease) in guarantee deposits	4,938	(409)
Trade receivable	175,507	45,460	Repayment of the principal portion of lease liabilities	(43,655)	(41,171)
Trade receivable-related parties	(13,483)	166,761	Acquisition of Subsidiary's equity	(10,178)	-
Other receivables	2,663	5,188	Net cash used in financing activities	(409,297)	(441,495)
Other receivables-related parties	(65,125)	(32,061)			
Inventories	244,010	181,213	Effect of exchange rate changes on cash and cash equivalents	(17,368)	39,277
Prepayments	(4,720)	664			
Other current assets	64,797	(30,755)	Net (decrease) increase in cash and cash equivalents	(314,167)	58,980
Contract liabilities-current	(8,176)	39,502	Cash and cash equivalents at beginning of the period	1,385,234	1,326,254
Notes payable	(151)	(3)	Cash and cash equivalents at end of the period	\$1,071,067	\$1,385,234
Accounts payable	(42,888)	(115,001)			
Accounts payable-related parties	331	(74,836)			
Other payables	(154,740)	8,735			
Other payables-related parties	63,957	31,938			
Provisions-current	(5,087)	8,112			
Other current liabilities	1,686	(1,174)			
Net defined benefit assets-noncurrent	(4,589)	(2,149)			
Cash generated from operating activities	292,528	678,881			
Interest received	29,499	18,291			
Interest paid	(20,961)	(22,400)			
Income tax paid	(11,106)	(12,477)			
Net cash provided by operating activities	289,960	662,295			

The accompanying notes are an integral part of the consolidated financial statements.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements
For the years Ended December 31, 2023, and 2022
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. HISTORY AND ORGANIZATION

Young Optics Inc. (“YOI”) was incorporated at Hsinchu Science Park on February 18, 2002. YOI mainly engages in research, design, manufacturing and sales of optical components, optical engines, and key components.

YOI's ordinary shares were publicly listed on the Taiwan Stock Exchange on January 2007. YOI's registered office and the main business location is at No. 7, Hsinan Road, Hsinchu Science Park. Coretronic Corporation is the parent company of YOI and is the ultimate controller of the group to which YOI belongs.

2. DATES AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of YOI and its subsidiaries (“the Group”) for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on February 23, 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
B	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
C	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
D	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

A. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

B. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

C. Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

D. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations issued by the IASB have been endorsed by the FSC, and become effective for annual periods beginning on or after January 1, 2024. The adoption of these new standards and amendments had no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

A. IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

B. Lack of Exchangeability (Amendments to IAS 21)

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by the IASB have not yet been endorsed by the FSC, and the local effective dates are to be determined by the FSC. The adoption of these new standards and amendments had no material impact on the Group.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and standards, interpretations, and amendments issued, revised, or amended which are endorsed and became effective by the FSC (collectively, “the TIFRS”).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) General Description of Reporting Entity

Principles of consolidation

Control is achieved when YOI is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, YOI controls an investee if and only if YOI has:

- A. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When YOI has less than a majority of the voting or similar rights of an investee, YOI considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. YOI’s voting rights and potential voting rights

YOI re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which YOI obtains control, and continue to be consolidated until the date that such control ceases.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. Derecognizes the carrying amount of any non-controlling interest;
- C. Recognizes the fair value of the consideration received;
- D. Recognizes the fair value of any investment retained;
- E. Reclassification from other comprehensive income to profit or loss or directly to retained earnings of a parent company's previously recognized items.
- F. Recognize the resulting difference as current period profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of ownership	
			December 31, 2023	December 31, 2022
YOI	Masterview Enterprises Limited (Masterview)	Holding company.	100.00%	100.00%
YOI	Rays Optics Inc.(ROI)	Manufacture and selling of optics instruments and components	- (Note)	92.50%
YOI	Mejiro Genossen Inc. (MG)	Researching, developing, manufacturing and selling of optics machines	99.00%	99.00%
Masterview	Grace China Investments Limited (Grace China)	Holding company	100.00%	100.00%
Masterview	Best Alpha Investments Limited (Best Alpha)	Holding company	100.00%	100.00%
Masterview	Young Optics (BD) LTD. (YO BD)	Manufacturing of optics components	80.00%	80.00%
Grace China	Young Optics (Kunshan)CO., LTD. (KYO)	Design, development and production of color wheels, lens set, filter and other related optical components and the above	75.45%	75.45%

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Investor	Subsidiary	Main business	Percentage of ownership	
			December 31, 2023	December 31, 2022
		products, instruments and equipments, digital projection TVs in addition to their related modules, solid-state light sources, digital projection game machines, precision digital on-line measurement instruments and assembly to adjustment equipments, various products and components for image extraction and display; sales of home-made products and offer the following service in warranty; The Company is engaged in the production of similar products and raw materials for wholesale, trade on import and export business.		
Grace China	Young Optics (BD) LTD. (YO BD)	Manufacturing of optics components	20.00%	20.00%
Best Alpha	Young Optics (Suzhou) CO., LTD. (SYO)	Research and development, manufacture and maintenance of optical engines and related optoelectronic components, optical components, color wheel, integration column, projector lens, lens, lens barrel, LCD TV, equal ion TVs, optical rear projection TVs and other phase-capable high image digital TV (flat panel and optical HDTV), colorful video projectors, related new optoelectronic and optical components in related products, various imaging extracted and display optical parts and products, sales on products manufactured by the company and provide related services in warranty. Engaged in the sale of similar products manufactured by the company and its raw materials, optical equipments, and related testing equipment for wholesale, and its import and export business.	100.00%	100.00%

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Investor	Subsidiary	Main business	Percentage of ownership	
			December 31, 2023	December 31, 2022
Best Alpha	Young Optics (Kunshan)CO., LTD. (KYO)	Design, development and production of color wheels, lens set, filter and other related optical components and the above products, instruments and equipments, digital projection TVs in addition to their related modules, solid-state light sources, digital projection game machines, precision digital on-line measurement instruments and assembly to adjustment equipments, various products and components for image extraction and display; sales of home-made products and offer the following service in warranty; The Company is engaged in the production of similar products and raw materials for wholesale, trade on import and export business.	24.55%	24.55%

Note: On July 28, 2023, the Company's board of directors resolved to acquire and merge Rays Optics Inc. through absorption. After the merger, the Company continued is the surviving entity and Rays Optics Inc. was dissolved. The base date of the merger and acquisition was set at September 8, 2023.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in NT\$, which is also the parent group's functional currency. Each entity in the Group determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. A partial disposal involving the loss of control over a subsidiary that includes a foreign operating entity and a partial disposal of an interest in an affiliate or joint agreement that includes a foreign operating entity in which the retained interest deemed as a financial asset that includes a foreign operating entity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Current and Non-Current Distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Group holds the asset primarily for the purpose of trading.
- C. The Group expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle.
- B. The Group holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including time deposits with original maturities of twelve months or less.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently "measured at amortized cost", "measured at fair value through other comprehensive income" or "measured at fair value through profit or loss" on the basis of both:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met, and presented as notes receivable, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not being subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A Financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When the Group and the creditors have a significant difference between the terms of the debt instruments to exchange, or make significant changes to all or part of the existing financial liabilities (no matter due to financial difficulties or not), deal with the way to exclude original liabilities and recognize new liabilities, when exclude the financial liabilities, the difference between book value and the total amount paid or payable (Including transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are stated at acquisition cost, and the cost is measured by standard cost method. The Group considers the normal level of materials, labors, efficiency and equipment capacity when making regular reviews and adjustments according to the current situation.

Inventories are valued at lower of cost and net realizable value item by item.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(12) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	1~30 years
Machinery and equipment	2~17 years
Transportation equipment	2~5 years
Furniture and fixtures	2~20 years
Miscellaneous equipment	1~15 years
Leasehold improvement	3~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Investment property

An investment property is measured initially at cost, including transaction costs. The carrying amounts includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group shall measure investment property by cost model in accordance with IAS 16 “Property, Plant and Equipment,” except the property meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

“Non-current Assets Held for Sale and Discontinued Operations.” If a property is held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5, it shall be measured in accordance with IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~30 years
-----------	-------------

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from the use of the identified assets; and
- B. the right to decide the use of the identified assets.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date);
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index, or a rate are recognized as rental income when incurred.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are classified as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of intangible assets are recognized into profit or loss.

Developing intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits
- D. The availability of resources to complete the asset
- E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Patent Right and Specialized Technology

The patent rights have been granted by the government agencies concerned for 8 years. Specialized technology has been granted by contract for 10 years.

Computer Software

The cost of computer software is amortized on a straight-line basis over its estimated useful life (1~10 years).

The Group's accounting policies for intangible assets are summarized as following:

	Developing intangible assets	Patent Right and Specialized Technology	Computer Software
Useful years	Indefinite	Indefinite	Indefinite
Amortization Method to be applied	Amortized on a straight- line basis over the period of expected future sales arising from the related projects	Amortized on a straight-line basis over the patent right and contractual license period	Amortized at a straight-line basis over the estimated benefit period
Internally generated or externally acquired	Internally generated	externally acquired	externally acquired

(16) The Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(18) Revenue Recognition

The Group's revenue arising from contracts with customers mainly include sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Sales of goods

The Group manufactures and sells of merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers, primarily for optical products, and is recognized on the basis of the contracted price. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The primary credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The services that the Group renders are mainly the related services of development and design. These services are individually priced or negotiated and are provided on the basis of contract term. Due to the Group provides design services during the contract period so that customers can obtain the benefits of these products during the contract period. It shall be recognized as the revenue by satisfying the performance obligation over time.

Most accounts receivable of contractual agreement in the Group are received averagely in the term of contract after design service rendered. We recognize contract assets when it has the right to transfer labor services to customers without unconditional receipt of consideration. However, for some contracts, the Group is obligated to provide subsequent services because it receives part of the consideration from the client at the time of signing the contract and therefore recognizes a contract liability.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

(19) Post-Employment Benefits

All regular employees of the Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. The date of the plan amendment or curtailment; and
- B. The date that the Group recognizes related restructuring or termination costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Share-based payment plans

The cost of equity-settled transactions between the Group and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The cost of the equity-settled share-based payment transaction is gradually recognized when service terms and performance conditions are met, and the equity recognized increases relatively. The accumulated expense from equity-settled share-based payment transactions before the end of every reporting period before the vesting date is a reflection on the passing of the vesting period at the best estimate for the number of equity instruments that will ultimately vest. The cumulative cost changes for the share-based payment transactions will be recognized in profit or loss for the period.

If ultimately, the instruments do not meet the vesting criteria, no expense shall be recognized. However, if the vesting conditions of the equity settled transaction are related to market conditions or non-vested conditions, when all service or performance conditions are met, related expenses shall be recognized irrespective of whether the market conditions or non-vested conditions have been met.

When the terms of an equity-settled transaction are modified, at least the unmodified initial cost of benefits is recognized. Additional transaction costs under equity-settled are recognized when the modification of the terms of a share-based transaction increases the total fair value of the share-based benefit transaction or is beneficial to employees.

If an equity-settled in share-based payment plan is cancelled, it is deemed to have vested on the date of cancellation and the remaining unrecognized share-based payment expense is recognized immediately, including compensation plans over which the enterprise or employees have control and for which the non-vested conditions have not been met. If the previously cancelled bonus plan is replaced by a new bonus plan that is recognized as a replacement for the cancelled bonus plan on the date of grant, the cancelled and newly granted bonus plan is deemed as a modification of the initial bonus plan.

(21) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approve the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. The initial recognition of goodwill; or assets or liabilities arising from a transaction that is not a business combination that, at the time of the transaction, affects neither accounting profit nor taxable profit (loss), and does not result in equal taxable and deductible temporary differences at the time of the transaction.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Regarding the deductible temporary differences generated by the initial recognition of assets or liabilities in transactions not involving business combinations, these do not affect accounting profit nor taxable income (loss) at the time of the transaction, and no equal taxable and deductible temporary differences are generated at the time of the transaction.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception provided in 'International Tax Reform – Pillar 2 Model Rules (amendment to IAS 12)', deferred tax assets and liabilities for Pillar 2 income tax cannot be recognized and related information shall not be disclosed.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

A. Judgment

The adoption of the Group 's accounting policies for the preparation of financial statements requires the management to make certain significant judgments. These include:

Operating Lease Commitment -the Company as Lessor

The Group still retains substantially all the risks and rewards to ownership of real estates based on an evaluation of terms agreed for commercial lease agreement in real estate with signed and deemed those as operation leases.

B. Estimation and Assumption

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions of future demand within a specific time period, therefore material adjustments may occur. Please refer to Note 6.

(c) Impairment of Non-Financial Assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less disposal costs is calculated based on the price of a binding sales agreement or the market value of an asset in an arm's length transaction, less incremental costs directly attributable to the disposal of the asset. Value in use is calculated based on a cash flow discounted model. Cash flow prediction are based on estimates for the next five years and do not include restructuring to which the Company is not yet committed or significant future investments required to enhance the performance of the assets of the cash-generating unit under test. Recoverable amounts are susceptible to the discount rates used in the cash flow discounted model and the expected future cash inflows and growth rates used for extrapolation purposes. The key assumptions used to determine the recoverable amounts of the different CGUs, including sensitivity analysis, are described in Note 6.

(d) Post-Employment Benefit Plan

The present value of the defined benefit cost and defined benefit obligation of the postemployment benefit plans depends on actuarial valuation. The actuarial valuation involves various assumptions, including discount rates and changes in expected payroll. Please refer to Note 6 for a detailed description of the assumptions used to measure the defined benefit cost and the defined benefit obligation.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(e) Provision for product warranty

Based on historical experience, product characteristics and other known reasons, the Group make the estimates of product warranties and repairs that may occur and those would be added into the cost of goods sold in the year in which the products are sold. YOI's management periodically reviews the reasonableness of these estimates. Please refer to Note 6.

(f) Revenue Recognition - Sales Returns and Discounts

The Group estimates sales returns and discounts based on historical experience and other known reasons and recognizes them as a reduction of operating income at the time of sale. The aforementioned estimates of sales returns and discounts are based on the premise that it is highly probable that there will be no material reversal in the cumulative amount of revenue recognized. Please refer to Note 6.

(g) Income Tax

Uncertainties in income tax arise from the interpretation of complex tax regulations, the amount and timing of future taxable income. Due to the long-term nature and complexity of extensive international business relationships and contracts, differences between actual results and assumptions made, or future changes in such assumptions, may result in future adjustments on income tax benefits and expenses recognized. The recognition for income taxes is a reasonable estimate based on probable audits by the tax authorities of the countries in which the Group operates. The amounts recognized are based on various factors, such as past tax audit experience and differences in the interpretation of tax regulations by the tax authorities to which the company belongs. Such differences in interpretation may give rise to various issues depending on the circumstances of the company's individual business location.

Deferred income tax assets are recognized to the extent that it is probable to have taxable income or taxable temporary differences in future for taxation loss not in use, and carry forward of income tax and deductible temporary differences. The determination of the amount of deferred tax assets to be recognized is based on the timing and level of probable taxable income in future and taxable temporary differences, together with strategies of tax planning in future. As of December 31, 2023, please refer to Note 6 for a description of the Group's deferred income tax assets unrecognized.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2023	2022
Cash	\$109	\$117
Savings and checking accounts	1,057,979	1,039,363
Time deposits	12,979	206,754
Cash equivalents - repurchase agreements	-	139,000
Total	<u>\$1,071,067</u>	<u>\$1,385,234</u>

(2) Financial Assets at Fair Value Through Profit or Loss - Current

	December 31,	
	2023	2022
Financial assets mandatorily measured at fair value through profit or loss:		
Forward foreign exchange contracts	<u>\$-</u>	<u>\$196</u>

Please refer to Note 12 for the transactions of derivative financial instruments.

(3) Notes Receivables

	December 31,	
	2023	2022
Notes receivable-arose from operating activities (Total carrying amount)	\$18,272	\$18,176
Less: allowance for doubtful accounts	-	-
Total	<u>\$18,272</u>	<u>\$18,176</u>

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(15) for more details on accumulated impairment and refer to Note 12 for more details on credit risk disclosure.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Trade Receivables and Trade Receivables - Related Parties

	December 31,	
	2023	2022
Trade receivables (Total Carrying Amount)	\$353,359	\$528,907
Less: allowance for doubtful accounts	(179)	(249)
Subtotal	353,180	528,658
Trade receivables - related parties (Total Carrying Amount)	119,505	106,022
Less: allowance for doubtful accounts	-	-
Subtotal	119,505	106,022
Total	\$472,685	\$634,680

Trade receivables were not pledged.

Trade receivables are generally on 30 to 90 day terms. The total carrying amounts of trade receivables (include trade receivables-related parties) as of December 31, 2023 and 2022, were NT\$472,864 thousand and NT\$634,929 thousand, respectively. Please refer to Note 6(15) for more details on impairment of trade receivables as of December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	December 31,	
	2023	2022
Raw materials	\$335,424	\$476,138
Work in process	52,580	79,766
Finished goods (included merchandises)	56,486	133,216
Total	\$444,490	\$689,120

The cost of inventories recognized in expenses amounted to NT\$2,693,747 thousand and NT\$3,874,230 thousand for the years ended December 31, 2023 and 2022, respectively, including the write-down of inventories and obsolescence loss of NT\$43,464 thousand and NT\$91,189 thousand, respectively.

No inventories were pledged.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Property, Plant and Equipment

Property, plant and equipment for own-use						December 31,			
						2023		2022	
						\$1,884,376		\$1,979,410	
						Construction in progress and equipment awaiting inspection			
	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Lease improvement	Other equipment		Total
<u>Cost:</u>									
As of January 1,									
2023	\$1,720	\$2,302,775	\$1,652,319	\$97,784	\$908	\$10,334	\$458,533	\$88,432	\$4,612,805
Additions	-	96,064	45,463	1,379	35	4,474	8,427	3,825	159,667
Disposals	-	(289)	(5,690)	(5,179)	-	-	(13,177)	-	(24,335)
Transfers	-	45,008	24,899	262	-	-	14,789	(87,461)	(2,503)
Exchange differences									
	(112)	(411)	(4,759)	(231)	(17)	(278)	(2,181)	82	(7,907)
As of December									
31, 2023	\$1,608	\$2,443,147	\$1,712,232	\$94,015	\$926	\$14,530	\$466,391	\$4,878	\$4,737,727
As of January 1,									
2022	\$1,780	\$2,241,636	\$1,544,816	\$94,665	\$946	\$8,706	\$458,282	\$80,686	\$4,431,517
Additions	-	33,929	68,148	4,883	-	1,809	14,335	73,490	196,594
Disposals	-	(12,585)	(18,221)	(2,555)	(53)	(331)	(20,799)	(370)	(54,914)
Transfers	-	27,327	35,427	200	-	-	900	(66,099)	(2,245)
Exchange differences									
	(60)	12,468	22,149	591	15	150	5,815	725	41,853
As of December									
31, 2022	\$1,720	\$2,302,775	\$1,652,319	\$97,784	\$908	\$10,334	\$458,533	\$88,432	\$4,612,805

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

								Construction in progress and equipment awaiting inspection	
	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Lease improvement	Other equipment		Total
<u>Depreciation and impairment:</u>									
As of January 1,									
2023	\$-	\$1,005,521	\$1,209,462	\$75,216	\$908	\$7,778	\$334,510	\$-	\$2,633,395
Depreciation	-	110,266	109,431	7,521	21	2,376	31,495	-	261,110
Disposals	-	(92)	(5,682)	(5,179)	-	-	(12,231)	-	(23,184)
Transfers	-	-	(11,705)	(1)	-	-	1,095	-	(10,611)
Exchange differences									
	-	(276)	(4,621)	(233)	(17)	(198)	(2,014)	-	(7,359)
As of December 31, 2023									
	<u>\$-</u>	<u>\$1,115,419</u>	<u>\$1,296,885</u>	<u>\$77,324</u>	<u>\$912</u>	<u>\$9,956</u>	<u>\$352,855</u>	<u>\$-</u>	<u>\$2,853,351</u>
As of January 1,									
2022	\$-	\$902,712	\$1,098,118	\$70,059	\$946	\$5,329	\$316,260	\$-	\$2,393,424
Depreciation	-	103,491	118,518	7,263	-	2,713	34,386	-	266,371
Disposals	-	(3,955)	(18,041)	(2,556)	(53)	(331)	(20,235)	-	(45,171)
Transfers	-	-	(2,143)	-	-	-	(98)	-	(2,241)
Exchange differences									
	-	3,273	13,010	450	15	67	4,197	-	21,012
As of December 31, 2022									
	<u>\$-</u>	<u>\$1,005,521</u>	<u>\$1,209,462</u>	<u>\$75,216</u>	<u>\$908</u>	<u>\$7,778</u>	<u>\$334,510</u>	<u>\$-</u>	<u>\$2,633,395</u>
Net carrying amounts as of:									
December 31,									
2023	<u>\$1,608</u>	<u>\$1,327,728</u>	<u>\$415,347</u>	<u>\$16,691</u>	<u>\$14</u>	<u>\$4,574</u>	<u>\$113,536</u>	<u>\$4,878</u>	<u>\$1,884,376</u>
December 31,									
2022	<u>\$1,720</u>	<u>\$1,297,254</u>	<u>\$442,857</u>	<u>\$22,568</u>	<u>\$-</u>	<u>\$2,556</u>	<u>\$124,023</u>	<u>\$88,432</u>	<u>\$1,979,410</u>

The significant components of the Group's buildings are mainly the main building, electrical and mechanical works, and parking towers, which are depreciated over their useful lives of 30 years, 20 years, and 25 years, respectively.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Please refer to Note 8 for the property, plant and equipment pledge as collaterals as of December 31, 2023 and 2022.

(7) Investment Property

Investment property held by the group is for own-use. The Group signed the commercial property lease contracts with periods of 3 years, which included clauses to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>Buildings</u>
<u>Cost:</u>	
As of January 1, 2023	\$244,538
Additions from acquisitions	-
As of December 31, 2023	<u>\$244,538</u>
As of January 1, 2022	\$244,538
Additions from acquisitions	-
As of December 31, 2022	<u>\$244,538</u>
<u>Depreciation and Impairment:</u>	
As of January 1, 2023	\$100,307
Depreciation	8,070
As of December 31, 2023	<u>\$108,377</u>
As of January 1, 2022	\$92,237
Depreciation	8,070
As of December 31, 2022	<u>\$100,307</u>
Net carrying amount as of:	
December 31, 2023	<u>\$136,161</u>
December 31, 2022	<u>\$144,231</u>

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	\$12,567	\$12,783
Less: Direct operating expenses from investment property generating rental income	<u>(8,070)</u>	<u>(8,070)</u>
Total	<u>\$4,497</u>	<u>\$4,713</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Please refer to Note 8 for the investment properties pledge as collaterals as of December 31, 2023 and 2022.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized with Level 3. The fair value of investment properties held by the Group amounted to NT\$304,500 thousand and NT\$288,200 thousand as of December 31, 2023, and 2022, respectively. The above-mentioned fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is discount cash-flow analysis method, and the inputs and quantitative information are as follows:

	December 31,	
	2023	2022
Discount rates	4.595%	4.345%
Growth rates	0.4%	0.4%

(8) Intangible Assets

	Computer Software	Parent Right and Specialized Techniques	Total
<u>Cost:</u>			
As of January 1, 2023	\$90,338	\$33,502	\$123,840
Additions — acquired separately	3,470	-	3,470
Derecognition for expiration	(6,285)	-	(6,285)
Exchange differences	(13)	(30)	(43)
As of December 31, 2023	<u>\$87,510</u>	<u>\$33,472</u>	<u>\$120,982</u>
As of January 1, 2022	\$85,432	\$33,518	\$118,950
Additions — acquired separately	12,678	-	12,678
Derecognition for expiration	(7,772)	-	(7,772)
Exchange differences	-	(16)	(16)
As of December 31, 2022	<u>\$90,338</u>	<u>\$33,502</u>	<u>\$123,840</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Computer Software	Parent Right and Specialized Techniques	Total
<u>Amortization and Impairment:</u>			
As of January 1, 2023	\$19,413	\$14,075	\$33,488
Amortization	14,623	3,982	18,605
Derecognition for expiration	(6,285)	-	(6,285)
Exchange differences	(1)	(26)	(27)
As of December 31, 2023	<u>\$27,750</u>	<u>\$18,031</u>	<u>\$45,781</u>
As of January 1, 2022	\$12,185	\$10,102	\$22,287
Amortization	15,000	3,983	18,983
Derecognition for expiration	(7,772)	-	(7,772)
Exchange differences	-	(10)	(10)
As of December 31, 2022	<u>\$19,413</u>	<u>\$14,075</u>	<u>\$33,488</u>
<u>Net carrying amount as of:</u>			
December 31, 2023	<u>\$59,760</u>	<u>\$15,441</u>	<u>\$75,201</u>
December 31, 2022	<u>\$70,925</u>	<u>\$19,427</u>	<u>\$90,352</u>

Amortization expense of intangible assets:

	Years ended December 31,	
	2023	2022
Operation cost	\$7,906	\$7,422
Selling expenses	727	611
General and administrative expenses	2,538	2,473
Research and development expenses	7,434	8,477
Total	<u>\$18,605</u>	<u>\$18,983</u>

(9) Short-term Borrowings

	December 31,	
	2023	2022
Unsecured bank loans	<u>\$104,344</u>	<u>\$49,648</u>
Interest rate (%)	<u>1.65%~1.96%</u>	<u>1.75%~1.97%</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Group's unused short-term lines of credits amounted to NT\$2,982,830 thousand and NT\$3,762,707 thousand as of December 31, 2023 and 2022, respectively.

(10) Long-term Borrowings

As of December 31, 2023:

Lenders	December 31, 2023	Interest rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$299,950	1.85%	Principle is repaid in 8 quarterly payments from February 19, 2023.
Secured long-term borrowings from Hua Nan Commercial bank	112,900	1.84%	Principle is repaid in 14 quarterly payments from August 10, 2025.
Long-term borrowings from Sumitomo Mitsui Bank	3,867	1.60%	Government subsidizes the interest for the first three years. Principle is repaid in 54 monthly payments from July 20, 2021.
Less: current portion	(301,879)		
	<u>\$114,838</u>		

As of December 31, 2022:

Lenders	December 31, 2022	Interest rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$599,900	1.73%	Principle is repaid in 8 quarterly payments from February 19, 2023.
Secured long-term borrowings from Hua Nan Commercial bank	68,571	1.55%	Principle is repaid in 14 quarterly payments from July 25, 2021.
Secured long-term borrowings from Hua Nan Commercial bank	142,857	1.53%	Principle is repaid in 14 quarterly payments from July 25, 2021.
Secured long-term borrowings from Hua Nan Commercial bank	14,286	1.55%	Principle is repaid in 14 quarterly payments from July 25, 2021.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Lenders	December 31, 2022	Interest rate (%)	Maturity date and terms of repayment
Long-term borrowings from Sumitomo Mitsui Bank	6,201	1.60%	Government subsidizes the interest for the first three years. Principle is repaid in 54 monthly payments from July 20, 2021.
Less: current portion	(414,871)		
	<u>\$416,944</u>		

The Group's unused long-term lines of credits amounted to NT\$487,100 thousand and NT\$300,000 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 8 for property, plant, and equipment and investment properties pledged as collateral for long-term loans.

(11) Post-Employment Benefits

Defined contribution plan

The Group and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of Mainland China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$45,773 thousand and NT\$47,614 thousand, respectively.

Defined benefits plan

The Group and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Under the Labor Standards Act, the Group and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group and its domestic subsidiaries will make up the difference in one appropriation before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$1,808 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The weighted average duration of the defined benefits plan obligation was both 14.28 years as of December 31, 2023 and 2022.

Pension costs recognized in profit or loss are as follows:

	Years ended December 31,	
	2023	2022
Current service costs	\$-	\$-
Repayment and curtailment of benefits	(2,562)	-
Net interest on the net defined benefit assets	(375)	(122)
Total	<u><u>\$(2,937)</u></u>	<u><u>\$(122)</u></u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	December 31,		January 1,
	2023	2022	2022
Present value of defined benefit obligation	\$6,811	\$51,363	\$48,916
Plan assets at fair value	(31,595)	(71,811)	(67,300)
Carrying amount on the net defined benefit assets	<u>\$(24,784)</u>	<u>\$(20,448)</u>	<u>\$(18,384)</u>

Reconciliations of net defined benefit assets are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
As of January 1, 2023	\$51,363	\$(71,811)	\$(20,448)
Current service cost	-	-	-
Interest expense (revenue)	890	(1,265)	(375)
Prior service cost and profit or loss on repayment	(46,348)	43,003	(3,345)
Subtotal	<u>5,905</u>	<u>(30,073)</u>	<u>(24,168)</u>

Remeasurements of the defined benefit liability/asset:

Actuarial gains or losses arising from changes in financial assumptions	91	-	91
Experience adjustments	412	(250)	162
Subtotal	<u>503</u>	<u>(250)</u>	<u>253</u>
Benefits paid	(674)	674	-
Contributions by employer	-	(1,946)	(1,946)
Others	1,077	-	1,077
As of December 31, 2023	<u>\$6,811</u>	<u>\$(31,595)</u>	<u>\$(24,784)</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
As of January 1, 2022	\$48,916	\$(67,300)	\$(18,384)
Current service cost	-	-	-
Interest expense (revenue)	304	(426)	(122)
Prior service cost and profit or loss on repayment	-	-	-
Subtotal	49,220	(67,726)	(18,506)
Remeasurements of defined benefit liability/asset:			
Actuarial gains or losses arising from changes in financial assumptions	5,415	-	5,415
Experience adjustments	(68)	(5,262)	(5,330)
Subtotal	5,347	(5,262)	85
Benefits paid	(3,204)	3,204	-
Contributions by employer	-	(2,027)	(2,027)
As of December 31, 2022	\$51,363	\$(71,811)	\$(20,448)

The principal assumptions used in determining the Group's defined benefit plan are as follows:

	December 31,	
	2023	2022
Discount rate	1.625%	1.750%
Expected rate on salary increases	3.000%	3.000%

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Sensitivity analysis for significant assumptions is as follows:

	Years ended December 31,			
	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	\$-	\$181	\$-	\$1,686
Discount rate decrease by 0.25%	184	-	1,782	-
Expected salary increase by 0.25%	178	-	1,722	-
Expected salary decrease by 0.25%	-	175	-	1,650

The sensitivity analysis above is based on a change in one significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(12) Provisions

	Warranties
As of January 1, 2023	\$28,968
Arising (reversals) during the period	30,759
Utilized during the period	(35,846)
As of December 31, 2023	<u>\$23,881</u>
As of January 1, 2022	\$20,856
Arising (reversals) during the period	34,150
Utilized during the period	(26,038)
As of December 31, 2022	<u>\$28,968</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(13) Equities

A. Common Stock

As of December 31, 2023 and 2022, YOI's authorized capital was NT\$1,200,000 thousand and its issued capital was NT\$1,140,598 thousand, each at a par value of NT\$10, divided into 114,059,785 shares. Each share has one voting right and a right to receive dividends. The stockholders' meeting in 2008 resolved to increase the authorized capital to NT\$1,600,000 thousand, divided into 160,000,000 shares, each at a par value of NT\$10, but the registration of the change has not yet been completed.

B. Capital surplus

	December 31,	
	2023	2022
Additional paid-in capital	\$1,647,625	\$1,647,625
Difference between acquisition cost and book value of acquired subsidiary's equity	(506)	-
Others	1,086	1,086
Total	<u>\$1,648,205</u>	<u>\$1,648,711</u>

According to the Company Act, the capital reserve shall not be used except for covering losses of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Articles of Incorporation, current year's earnings shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset accumulated losses in previous years, if any;
- (c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds YOI's total capital stock;

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (d) Allocation or reverse of special reserve as required by law or government authorities;
- (e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

YOI's dividend policy is based on the Company Act and YOI's Articles of Incorporation and may be paid in the form of stock dividends or cash dividends, depending on YOI's capital and financial structure, operating conditions, earnings, and the nature and cycle of the industry to which YOI belongs. However, since the optical industry in which YOI currently operates maturely, but there is still an opportunity for growth and development in the newly optical product application market, YOI may pay dividends, if any, in the form of cash dividends of not less than 10% of the total amount of cash and stock dividends paid in the year, based on industrial, financial, business and operational considerations.

According to Company Act, YOI needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of YOI. If YOI incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable profits, YOI shall set aside special reserve for the difference between the balance of special reserve at first-time adoption of IFRS and the net debit elements of other equity according to regulations. If any of the net debit elements under other equity is reversed, the special reserve in the amount equal to the reversal may be reversed for profits distribution.

In accordance with the Financial Supervisory Commission's Order No. 1090150022 issued on March 31, 2021, YOI recognized a special reserve of NT\$82,686 thousand for the unrealized revaluation incremental and cumulative translation adjustment (gain) recorded on the date of transition to IFRSs due to the adoption of IFRS 1 "First-time Adoption of International Financial Reporting Standards" exemption. Subsequently, when YOI uses, disposes of, or reclassifies the related assets, YOI may reverse the appropriation of earnings in proportion to the special reserve.

On June 16, 2023 and June 17, 2022, the shareholders' meeting approved the appropriation of earnings for the years ended December 31, 2022 and 2021 respectively, and no dividends were distributed to shareholders.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of February 23, 2024, YOI's board of directors has not yet proposed the appropriation of 2023 earnings. Please refer to Note 6(17) for information on the basis of estimating and recognition of the amount of employee compensation and director compensation.

D. Non-controlling interests

	Years ended December 31,	
	2023	2022
Beginning balance	\$10,619	\$9,022
(Loss) Profit attributable to non-controlling interests	(447)	1,721
Other comprehensive income (loss) attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	(28)	(15)
Deductions	(9,672)	(109)
Ending balance	<u>\$472</u>	<u>\$10,619</u>

(14) Sales

	Years ended December 31,	
	2023	2022
Contract revenue from customers		
Sale of goods	\$2,929,721	\$4,632,492
Other operating revenues	80,648	51,011
Total	<u>\$3,010,369</u>	<u>\$4,683,503</u>

Analysis of contracts revenue from customers for the years ended December 31, 2023 and 2022 is as follows:

A. Revenue of Segments

	Optical Segment	
	Years ended December 31,	
	2023	2022
Sale of goods	\$2,929,721	\$4,632,492
Rendering of services	80,648	51,011
Total	<u>\$3,010,369</u>	<u>\$4,683,503</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Optical Segment	
	Years ended December 31,	
	2023	2022
The timing of revenue recognition:		
At a point in time	\$2,929,721	\$4,632,492
Over time	80,648	51,011
Total	<u>\$3,010,369</u>	<u>\$4,683,503</u>

B. Contract balance

Contract liabilities-current

	December 31,		
	2023	2022	2021
Sale of goods	\$66,690	\$69,917	\$37,754
Rendering of services	2,502	7,451	112
Total	<u>\$69,192</u>	<u>\$77,368</u>	<u>\$37,866</u>

A description of the significant changes in contractual liabilities for the years ended December 31, 2023 and 2022 is as follows:

	Years ended December 31,	
	2023	2022
Revenues from the contract liabilities balance at the beginning of the period	\$(58,363)	\$(26,019)
Increase in advance receipts for the period (deducted the portion occurred in current period and transferred to revenue)	50,187	65,521

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2023 and 2022, there is no need to provide relevant information of the unsatisfied performance obligations as the contracts with customers about the sales of goods are all within one year.

D. Cost of assets from acquisition or performance of customer contracts.

None.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(15) Expected credit losses

	Years ended December 31,	
	2023	2022
Operating expenses — expected credit losses (reversal benefits)		
Trade receivables	<u><u>\$(11)</u></u>	<u><u>\$249</u></u>

The Group measure notes and trade receivables (including related parties) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2023 and 2022 is as follows:

Notes and trade receivables (including related parties) are classified into the same group after considering the counterparties' credit rating, geographical and industry. Its loss allowance is measured by using a provision matrix. Details are as below:

As of December 31, 2023:

	Not past due	Past due						
		1 to 30	31 to 60	61 to 90	91 to 120	121 to 150	Over 151	
	(Note)	days	days	days	days	days	days	Total
Gross carrying amount	\$435,248	\$48,119	\$7,246	\$224	\$125	\$-	\$174	\$491,136
Loss ratio	-%	-%	-%	1%	2%	-%	100%	
Expected credit losses in duration	-	-	-	2	3	-	174	179
Carrying amount	<u><u>\$435,248</u></u>	<u><u>\$48,119</u></u>	<u><u>\$7,246</u></u>	<u><u>\$222</u></u>	<u><u>\$122</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$490,957</u></u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2022:

	Not past due (Note)	Past due						Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	Over 151 days	
Gross carrying amount	\$546,685	\$70,929	\$13,499	\$21,758	\$-	\$6	\$228	\$653,105
Loss ratio	-%	-%	-%	-%	-%	-%	100%	
Expected credit losses in duration	-	-	-	21	-	-	228	249
Carrying amount	<u>\$546,685</u>	<u>\$70,929</u>	<u>\$13,499</u>	<u>\$21,737</u>	<u>\$-</u>	<u>\$6</u>	<u>\$-</u>	<u>\$652,856</u>

Note: Notes receivable of the Group are not past due.

The movement of provision for impairment of trade receivables for the years ended December 31, 2023 and 2022 is as follows:

	Years ended December 31,	
	2023	2022
Beginning Balance	\$249	\$-
Addition for the current period	-	249
Reversal on impairment loss	(11)	-
Write-off	(41)	-
The effect of exchange rate changes.	(18)	
Ending Balance	<u>\$179</u>	<u>\$249</u>

Please refer to Note 12 for the information regarding of credit risk.

(16) Leases

A. Group as lessee

The Group leases variety properties, including real estate (land and buildings) and transportation equipment. The lease terms range from 1 to 30 years with no special restrictions.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The effects that leases have on the financial position, financial performance and cash flows of the Group are as follows:

(a) Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2023	2022
Land	\$307,108	\$323,449
Buildings	25,062	29,190
Transportation equipment	635	1,481
Total	<u>\$332,805</u>	<u>\$354,120</u>

During the years ended December 31, 2023 and 2022, the addition to right-of-use assets of the Group amounted to NT\$22,924 thousand and NT\$41,685 thousand, respectively.

(ii) Lease liabilities

	December 31,	
	2023	2022
Current (including related parties)	\$47,208	\$49,089
Non-Current (including related parties)	307,831	324,912
Total	<u>\$355,039</u>	<u>\$374,001</u>

Please refer to Note 6(18)D. for the interest on lease liability recognized during the years ended December 31, 2023 and 2022, and Note 12(5) for the maturity analysis for lease liabilities.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	Years ended December 31,	
	2023	2022
Land	\$18,148	\$17,850
Buildings	26,691	27,100
Transportation Equipment	846	846
Total	<u>\$45,685</u>	<u>\$45,796</u>

(c) Income and costs relating to leasing activities

	Years ended December 31,	
	2023	2022
The expense relating to short-term leases	\$1,202	\$2,067
The expense relating to leases of low-value assets (excluding the expense relating to short-term leases of low-value assets)	219	204
The expense relating to variable lease payments not included in the measurement of lease liabilities	21	10

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$54,053 thousand and NT\$52,892 thousand, respectively.

(e) Other information relating to leasing activities

(i) Variable lease payment

The Group has no contracts with variable lease payment terms.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group's property rental agreements. In determining the lease term, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The Group would reassess the lease term when significant issue or change occur. (that is within the control of the lessee and affects whether the Group can make a reasonable assurance that it will exercise an option that was not previously included in the determination of the lease term or will not exercise an option that was previously included in the determination of the lease term).

(iii) Residual value guarantees

To optimize lease costs during the contract period, the Group doesn't provide residual value guarantees in relation to rental agreements, and therefore no residual value guarantees are recorded in lease liability.

B. Group as lessor

Please refer to Note 6(6) and Note 6(7) for details on the Group 's owned property, plant and equipment and investment property. Leases of owned property, plant, and equipment and investment property are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

No financing lease contracts were signed.

	Years ended December 31,	
	2023	2022
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or rate	\$37,712	\$38,146
Income relating to variable lease payments that do not depend on an index or rate	-	-
Total	<u>\$37,712</u>	<u>\$38,146</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining periods as of December 31, 2023 and 2022 are as follows:

	December 31,	
	2023	2022
No more than 1 year	\$45,474	\$37,298
Over 1 year but no more than 2 years	44,293	1,504
Over 2 years but no more than 3 years	43,917	778
Over 3 years but no more than 4 years	492	492
Over 4 years but no more than 5 years	492	492
Over 5 years	-	492
Total	<u>\$134,668</u>	<u>\$41,056</u>

(17) Summary Statement of Employee Benefits, Depreciation and Amortization Expenses by Function

Function Items	Years ended December 31,					
	2023			2022		
	Operating cost	Operating expenses	Total amount	Operating cost	Operating expenses	Total amount
Employee benefits expense	\$634,959	\$391,604	\$1,026,563	\$871,191	\$480,200	\$1,351,391
Salaries	526,158	326,209	852,367	744,878	412,860	1,157,738
Labor and health insurance	43,672	30,798	74,470	47,015	30,747	77,762
Pension	25,332	17,504	42,836	29,200	18,292	47,492
Other employee benefits expense	39,797	17,093	56,890	50,098	18,301	68,399
Depreciation (Note 1)	235,745	71,050	306,795	239,914	72,253	312,167
Amortization (Note 2)	8,055	10,734	18,789	7,574	11,593	19,167

Note 1: Excluding depreciation of investment property of both NT\$8,070 thousand for the years ended December 31, 2023 and 2022.

Note 2: Including the amortization of deferred expenses of both NT\$184 thousand for the years ended December 31, 2023 and 2022.

According to the Articles of Incorporation of the Company, 10% of profit of the current year is distributable as employees' compensation. However, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees. The employees' remuneration shall be distributed in stock or cash. The resolution shall be made by a majority vote at a meeting of the board of directors attended

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

by two-thirds of the total number of directors, and reported to the shareholders' meeting. The information about the employees' and directors' remuneration resolved by the board of directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years 2023 and 2022, based on YOI's profitability, employees' remuneration was estimated to be NT\$0 thousand and NT\$14,139 thousand, respectively, and was recognized under salaries and wages, and if the estimated amounts differ from the actual distribution resolved by the Board of Directors, YOI will recognize the change as an adjustment in the profit or loss in the subsequent period.

On February 10, 2023, the Company's board of directors resolved to distribute cash compensation to employees in the amount of NT\$14,139 thousand, which was not significantly different from the estimated amount for the year ended December 31, 2022. Employee compensation was not estimated or distributed due to losses for the year ended December 31, 2023.

(18) Non-operating income and expenses

A. Interest income

	Years ended December 31,	
	2023	2022
Financial assets measured at amortized cost	\$28,578	\$19,363

B. Other income

	Years ended December 31,	
	2023	2022
Rental income	\$37,712	\$38,146
Other income-others	8,935	5,798
Total	\$46,647	\$43,944

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Other gains and losses

	Years ended December 31,	
	2023	2022
Loss on disposal of property, plant and equipment	\$(1,151)	\$(9,291)
Loss on financial assets and liabilities at fair value through profit or loss	(12,465)	(5,806)
Foreign exchange (loss) gain, net	(8,584)	61,618
Gains on disposal of investments	-	531
Others	(9,308)	(9,664)
Total	<u>\$(31,508)</u>	<u>\$37,388</u>

D. Financial cost

	Years ended December 31,	
	2023	2022
Interest on borrowings from bank	\$11,950	\$13,015
Interest on lease liabilities	8,956	9,440
Total	<u>\$20,906</u>	<u>\$22,455</u>

(19) Components of Other Comprehensive Income

The components of other comprehensive income for the year ended December 31, 2023 were as followings:

	Arising during the period	Adjustment on reclassification during the period	Other comprehensive income (loss)	Income tax income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(253)	\$-	\$(253)	\$50	\$(203)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(18,237)	-	(18,237)	-	(18,237)
Total	<u>\$(18,490)</u>	<u>\$-</u>	<u>\$(18,490)</u>	<u>\$50</u>	<u>\$(18,440)</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The components of other comprehensive income for the year ended December 31, 2022 were as followings:

	Arising during the period	Adjustment on reclassification during the period	Other comprehensive income (loss)	Income tax income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(85)	\$-	\$(85)	\$17	\$(68)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	62,418	-	62,418	-	62,418
Total	<u>\$62,333</u>	<u>\$-</u>	<u>\$62,333</u>	<u>\$17</u>	<u>\$62,350</u>

(20) Income Tax

The major components of income tax (income) expenses are as followings:

Income tax recognized in profit or loss

	Years ended December 31,	
	2023	2022
Current income tax:		
Current income tax payable	\$(4,652)	\$20,142
Adjustment of prior years' income tax	-	685
Deferred income tax:		
Temporary differences related to initial recognition and reversal	3,713	3,516
Write-off of deferred tax assets	-	5,534
Total income tax (income) expense	<u>\$(939)</u>	<u>\$29,877</u>

Income taxes recognized in other comprehensive income

	Years ended December 31,	
	2023	2022
Deferred tax income:		
Remeasurements on defined benefit plans	<u>\$50</u>	<u>\$17</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of income tax (income) expense and the accounting profit multiplied by applicable tax rates is as follows:

	Years ended December 31,	
	2023	2022
Accounting (loss) profit before tax from continuing operations	<u>\$(288,686)</u>	<u>\$96,248</u>
Tax at the domestic rates applicable to profits in the country concerned	\$(55,344)	\$30,512
Adjustment of prior years' income tax	-	685
Tax effect of expenses not deductible for tax purposes	36,466	9,375
Tax effect of deferred tax assets/liabilities	(8,329)	(10,695)
Other income tax effects adjusted as per tax laws	<u>26,268</u>	<u>-</u>
Total income tax (income) expenses recognized in profit or loss	<u>\$(939)</u>	<u>\$29,877</u>

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2023

	Beginning Balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in Equity	Arising from Combination	Exchange differences	Ending Balance
Temporary differences							
Unrealized allowance for inventory obsolescence	\$17,274	\$(544)	\$-	\$-	\$-	\$-	\$16,730
Long-term investments at equity	(23,927)	-	-	-	-	-	(23,927)
Provisions - maintenance warranties	5,266	(501)	-	-	-	-	4,765
Provisions - sales returns and allowances	310	732	-	-	-	-	1,042
Accrued employees' welfares	7,066	(58)	-	-	-	-	7,008
Defined benefit liabilities-non-current	(2,883)	(976)	50	-	-	-	(3,809)
Others	309	636	-	-	-	-	945
Unused tax losses	<u>3,002</u>	<u>(3,002)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax (expense) income		<u>\$(3,713)</u>	<u>\$50</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets (liabilities)	<u>\$6,417</u>						<u>\$2,754</u>
Reflected in balance sheet as follows:							
Deferred tax assets	<u>\$30,344</u>						<u>\$26,681</u>
Deferred tax liabilities	<u>\$(23,927)</u>						<u>\$(23,927)</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2022

	Beginning Balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in Equity	Arising from Combination	Exchange differences	Ending Balance
Temporary differences							
Unrealized allowance for inventory obsolescence	\$18,699	\$(1,425)	\$-	\$-	\$-	\$-	\$17,274
Long-term investments at equity	(26,535)	2,608	-	-	-	-	(23,927)
Provisions - maintenance warranties	3,800	1,466	-	-	-	-	5,266
Provisions - sales returns and allowances	61	249	-	-	-	-	310
Accrued employees' welfares	6,882	184	-	-	-	-	7,066
Defined benefit liabilities- non-current	(2,470)	(430)	17	-	-	-	(2,883)
Others	6,477	(6,168)	-	-	-	-	309
Unused tax losses	8,536	(5,534)	-	-	-	-	3,002
Deferred tax (expense) income		<u>\$(9,050)</u>	<u>\$17</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets (liabilities)	<u>\$15,450</u>						<u>\$6,417</u>
Reflected in balance sheet as follows:							
Deferred tax assets	<u>\$41,985</u>						<u>\$30,344</u>
Deferred tax liabilities	<u>\$(26,535)</u>						<u>\$(23,927)</u>

Summary of information on the Entities of the Group's unused tax losses

As of December 31, 2023:

Occurrence Year	Deficit Amount (Note)	Unutilized accumulated loss	Expiration Year
2020	\$168,760	<u>\$60,307</u>	2030

As of December 31, 2022:

Occurrence Year	Deficit Amount	Unutilized accumulated loss	Expiration Year
2016	\$268,401	\$6,131	2026
2017	2,946	2,946	2027
2020	174,692	141,310	2030
		<u>\$150,387</u>	

Note: The loss attributable to Rays Optics Inc. was eliminated upon merger.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amount to NT\$26,500 thousand and NT\$35,698 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize deferred tax liabilities associated with tax payable for unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that not all distributed profits of its subsidiaries will be distributed in the foreseeable future. As of December 31, 2023 and 2022, the amounts of taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities were NT\$35,023 thousand and NT\$70,244 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of YOI and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
YOI	Assessed and approved up to 2021
Subsidiary — KYO	Declared up to 2022
Subsidiary — SYO	Declared up to 2022

(21) (Loss) Earnings Per Share

Basic (loss) earnings per share amounts are calculated by dividing net (loss) profit attributable to ordinary equity holders of the parent company by the weighted-average number of ordinary shares outstanding during the year.

Diluted (loss) earnings per share amounts are calculated by dividing the net (loss) profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Years ended December 31,	
	2023	2022
A. Basic (loss) earnings per share		
(Loss) Profit attributable to ordinary shareholders of the parent (in thousand NT\$)	<u>\$(287,300)</u>	<u>\$64,650</u>
Weighted average number of ordinary shares outstanding for basic (loss) earnings per share (in thousands)	<u>114,060</u>	<u>114,060</u>
Basic (loss) earnings per share (NT\$)	<u>\$(2.52)</u>	<u>\$0.57</u>
B. Diluted (loss) earnings per share		
(Loss) profit attributable to ordinary shareholders of the parent (in thousand NT\$)	<u>\$(287,300)</u>	<u>\$64,650</u>
Weighted average number of ordinary shares outstanding for basic (loss) earnings per share (in thousands)	114,060	114,060
Effect of dilution:		
Employee Compensation (in thousand)	<u>(Note)</u>	<u>194</u>
Adjusted weighted average number of ordinary shares outstanding after dilution (in thousand)	<u>114,060</u>	<u>114,254</u>
Diluted (loss) earnings per share (NT\$)	<u>\$(2.52)</u>	<u>\$0.57</u>

Note: Not included in the calculation due to its anti-dilution effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

7. Related Party Transactions

The related parties with whom the Group had transactions during the financial reporting period are as followings:

Related Party Name	Related Party Categories
Coretronic Corporation (“CORE”)	Parent
Coretronic Projection (Kunshan) Co., Ltd (“CPC”)	Same ultimate parent company with the Group
Coretronic Optics (Kunshan) Corporation (“COC”)	Same ultimate parent company with the Group
Optoma Corporation (“OPTOMA_Corp”)	Same ultimate parent company with the Group
Coretronic Intelligent Cloud Service Corporation (“CICS”)	Same ultimate parent company with the Group
Coretronic Intelligent Logistics Solutions Corporation (“CILS”)	Same ultimate parent company with the Group
Nano Precision (Suzhou) Co., Ltd	Same ultimate parent company with the Group
Coretronic Display (Suzhou) Co., Ltd. (“SZW”)	Same ultimate parent company with the Group

Significant transactions with the related parties:

(1) Sales

	Years ended December 31,	
	2023	2022
CORE	\$20,468	\$1,971
SZW	509	-
COC	310,599	362,832
CPC (Note)	379,520	1,343,919
Total	<u>\$711,096</u>	<u>\$1,708,722</u>

The Group's sales to related parties are based on normal sales terms; the collection period is 90 days on monthly closing, which is similar to normal customers.

(2) Purchases

	Years ended December 31,	
	2023	2022
CORE	\$18,093	\$2,295
CPC (Note)	211,955	653,255
	<u>\$230,048</u>	<u>\$655,550</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note: The purchases and sales transactions with CPC are mainly purchasing key components of products, and selling back after the components are assembled and manufactured with other components. The purchases and sales transactions disclosed here by total amount. However, when preparing the financial statements, based on the standards of revenue recognition, the transactions shall be expressed by the net amount after offsetting purchases and sales. The accounts payables and trade receivables related to the purchases and sales are recognized as other payables-related parties and other receivables-related parties.

The Group's purchases to related parties are based on normal market rates; the payment terms is 90 days on monthly closing, which is similar to normal customers.

(3) Trade Receivables-Related Parties

	December 31,	
	2023	2022
CORE	\$9,058	\$967
COC	46,108	73,375
CPC	64,339	31,680
Total	119,505	106,022
Less: allowance for doubtful accounts	-	-
Net amount	<u>\$119,505</u>	<u>\$106,022</u>

(4) Other Receivables-Related Parties

	December 31,	
	2023	2022
CORE	\$11,482	\$-
CPC	85,704	32,061
Total	<u>\$97,186</u>	<u>\$32,061</u>

(5) Contract Liabilities-Current

	December 31,	
	2023	2022
CORE	\$-	\$525
COC	11,237	-
Total	<u>\$11,237</u>	<u>\$525</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Accounts Payables-Related Parties

	December 31,	
	2023	2022
CORE	\$107	\$-
CPC	224	-
Total	\$331	\$-

(7) Other Payables-Related Parties

	December 31,	
	2023	2022
CORE	\$12,506	\$508
CPC	85,444	33,902
CICS	723	34
Others	-	272
Total	\$98,673	\$34,716

(8) Lease Liabilities-Related Parties

	December 31,	
	2023	2022
CPC	\$27,064	\$27,053

(9) Other Transactions

A. The expenses recognized for management services and technical services provided by related parties to the Group are shown below:

	Years ended December 31,	
	2023	2022
CPC	\$1,259	\$984
CICS	87	279
CILS	-	42
Total	\$1,346	\$1,305

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. The maintenance service, supplies and miscellaneous payment provided by related parties that are recognized as expenses are as follows:

	Years ended December 31,	
	2023	2022
CPC	\$53	\$156
CICS	-	52
OPTOMA-Corp	39	9
Total	<u>\$92</u>	<u>\$217</u>

C. The Group rent plant from CPC, and the increase in right-of-use assets due to renewals for the years ended December 31, 2023 and 2022 amounted to NT\$21,505 thousand and NT\$33,623 thousand, respectively.

D. The financial costs incurred by the lease liabilities arising from renting plant from related parties are as follows:

	Years ended December 31,	
	2023	2022
CPC	<u>\$1,304</u>	<u>\$1,422</u>

E. The transactions of software licenses with related parties are as follows:

	Years ended December 31,	
	2023	2022
CICS	<u>\$1,045</u>	<u>\$1,600</u>

(10) Key Management Personnel Compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	\$26,866	\$29,169
Post-employment benefits	807	794
Total	<u>\$27,673</u>	<u>\$29,963</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

8. Assets Pledged as Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2023	December 31, 2022	
Saving and checking deposits (recognized as other financial assets - current)	\$-	\$14	Guarantee for cargo exporting taxes
Time deposits (recognized as other financial assets - noncurrent)	1,107	1,094	Customs import guarantee
Time deposits (recognized as other financial assets - noncurrent)	20,395	20,395	Guarantee for Land in Lease
Time deposits (recognized as other financial assets - noncurrent)	2,692	389	Guarantee for Dormitory in Lease
Buildings (including Investment Properties)	712,324	754,100	Collateral for long-term borrowings
Total	<u>\$736,518</u>	<u>\$775,992</u>	

9. Commitments and Contingencies

A certain supplier has a legal dispute with the Company regarding an equipment procurement contract and has filed an action with the Hsinchu District Court. The original claim was for the Company to pay NT\$10,061 thousand, but it was reduced to NT\$9,370 thousand during the trial of first instance. The case is currently pending at the Hsinchu District Court. After consulting with the Company's lawyer, it is considered that there are still many pieces of evidence to be investigated and clarified regarding this procurement agreement dispute. At present, there is no definite conclusion on the litigation risk.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of financial instruments

	December 31,	
	2023	2022
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$-	\$196
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	\$1,070,958	\$1,385,117
Receivables	598,921	699,279
Other financial assets — current	-	14
Refundable deposits	12,400	12,961
Other financial assets — non-current	24,194	21,878
	<u>\$1,706,473</u>	<u>\$2,119,249</u>
<u>Financial Liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings	\$104,344	\$49,648
Payables	687,634	821,123
Long-term borrowings (including the current portion)	416,717	831,815
Lease liabilities	355,039	374,001
Guaranteed deposits received	11,619	6,681
	<u>\$1,575,353</u>	<u>\$2,083,268</u>

(2) Financial Risk Management Objectives and Policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign Currency Risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

Some of the receivables and payables are denominated in the same foreign currencies; thus, the positions would benefit from the natural hedging effect. However, managing foreign currency risk by natural hedging does not qualify for hedge accounting, hedge accounting was not used. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$11,397 thousand and NT\$13,539 thousand, respectively, while equity is decreased/increased by NT\$11,419 thousand and NT\$16,496 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk mainly arises from floating rate of borrowings and assumes that if the market interest rate increases/decreases by 1% in a financial year, the Group's profit or loss will decrease/increase by NT\$5,172 thousand and NT\$8,753 thousand for the years ended December 31, 2023 and 2022, respectively.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023, and 2022, receivables from top ten customers represented 59% and 54% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables was insignificant.

Credit risk from balances with bank deposits, other financial instruments, and refundable deposits is managed by the Group's treasury in accordance with the Group's policy. Due to the Group's counterparties are determined by internal control procedures and are creditworthy banks and corporate organizations, the Corporation has no significant credit risk.

(5) Liquidity Risk Management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Non-Derivative Financial Liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
As of December 31, 2023					
Borrowings	\$411,269	\$53,864	\$65,751	\$-	\$530,884
Payables	687,634	-	-	-	687,634
Lease liabilities	54,813	45,766	45,415	278,781	424,775
As of December 31, 2022					
Borrowings	\$475,327	\$420,399	\$-	\$-	\$895,726
Payables	821,123	-	-	-	821,123
Lease liabilities	56,705	49,570	45,415	301,494	453,184

(6) Reconciliation of liabilities Arising from Financing Activities

Reconciliation of liabilities for the year ended December 31, 2023:

	As of January 1, 2023	Cash flows	Non-cash Changes	As of December 31, 2023
Short-term borrowings	\$49,648	\$54,696	\$-	\$104,344
Long-term borrowings (including the current portion)	831,815	(415,098)	-	416,717
Lease liabilities (including related parties)	374,001	(43,655)	24,693	355,039
Guaranteed deposits received	6,681	4,938	-	11,619
	<u>\$1,262,145</u>	<u>\$(399,119)</u>	<u>\$24,693</u>	<u>\$887,719</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of liabilities for the year ended December 31, 2022:

	As of January 1, 2022	Cash flows	Non-cash Changes	As of December 31, 2022
Short-term borrowings	\$130,000	\$(80,352)	\$-	\$49,648
Long-term borrowings (including the current portion)	1,151,378	(319,563)	-	831,815
Lease liabilities (including related parties)	376,207	(41,171)	38,965	374,001
Guaranteed deposits received	7,090	(409)	-	6,681
	<u>\$1,664,675</u>	<u>\$(441,495)</u>	<u>\$38,965</u>	<u>\$1,262,145</u>

(7) Fair Value of Financial Instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions were used by the Group to measure or disclose the fair value of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, refundable deposits, short-term borrowings, accounts payable and guarantee deposits received approximate their fair value due to their short maturities.
- (b) The fair value of long-term borrowings and lease liabilities without active market are determined by using valuation techniques. Therefore, the fair value is estimated using the present value of the expected cash flows. The assumption of interest rate and discount rate mainly is measured by similar financial instruments.
- (c) The fair value of derivative financial instruments are measured by quoted prices. When quoted prices are not accessible, the fair value of derivative financial instruments, which are not options, are analyzed and calculated by the discounted cash flows using the yield curve applicable to the duration. The fair value of derivative financial instruments, which are options, are calculated by the option pricing model.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative instruments

As of December 31, 2023 and 2022, the derivative instruments held by the Group, which are not in the scope of hedge accounting and not yet settled as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The transactions of forward currency contracts are as follows:

Item (by contract)	Notional amount	Contract Period
As of December 31, 2022		
Forward currency contracts		
Selling forward currency contracts	US\$ 2,000 thousand	From December 2022 to March 2023

The Group did not hold any derivative instruments that were not in compliance with hedge accounting and had not yet matured as of December 31, 2023.

The purpose of forward currency contract transactions is to avoid the risk of changes in exchange rate of net assets or net liabilities. As there will be cash inflows or outflows accordingly at maturity, and the working capital is enough to cover, there will be no significant cash flows risk.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Fair Value Measurement Hierarchy

A. Definition of Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contracts	\$-	\$196	\$-	\$196

The Group does not have assets that are measured at fair value on a recurring and nonrecurring basis for the year ended December 31, 2023.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Fair Value Hierarchy that shall be disclosed for assets not measured at fair value:

As of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties				
(Note 6(7))	\$-	\$-	\$304,500	\$304,500

As of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties				
(Note 6(7))	\$-	\$-	\$288,200	\$288,200

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Note: Foreign Currency in thousand December 31, 2023			
	Foreign Currency	Exchange Rate	NTD thousand
<u>Financial Assets</u>			
Monetary Items:			
USD	\$51,641	30.705	\$1,585,628
JPY	234,891	0.2172	51,018
<u>Financial Liabilities</u>			
Monetary Items:			
USD	14,522	30.705	445,884
JPY	102,679	0.2172	22,302

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31, 2022		
	Foreign Currency	Exchange Rate	NTD thousand
<u>Financial Assets</u>			
Monetary Items:			
USD	\$58,956	30.710	\$1,810,542
JPY	201,079	0.2324	46,731
<u>Financial Liabilities</u>			
Monetary Items:			
USD	14,871	30.710	456,700
JPY	89,354	0.2324	20,766

The Group's functional currencies are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange (loss) gain was NT\$(8,584) thousand and NT\$61,618 thousand for the years ended December 31, 2023 and 2022, respectively.

(11)Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions

- A. Financing provided to others for the year ended December 31, 2023: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2023: None.
- C. Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint venture): None.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: Please refer to Attachment 2.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2023: Please refer to Attachment 3.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2023: Please refer to Attachment 4.
- I. Financial instruments and derivative transactions: None.
- J. The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 5.

(2) Information on investees

Relevant information on investees when the investees have significant influence or director indirect control: Please refer to Attachment 6.

(3) Investment in Mainland China

- A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.
- B. Directly or indirectly significant transactions with the investees in Mainland China: Please refer to Note 13(1)J.

(4) Information on major shareholders

Name, number of shares, and percentage of shares held by shareholders with at least 5% ownership: Please refer to Attachment 8.

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

14. Segment Information

(1) General Information

The Group is primarily engaged in the development, market expansion, and manufacture of optical related products. The operations results of operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the Group is a single operating segment.

(2) Geographical Information

A. Sales to other than consolidated entities

	Years ended December 31,	
	2023	2022
United States	\$321,769	\$449,265
Mainland China	1,224,538	2,444,561
Taiwan	225,176	255,764
Others	1,238,886	1,533,913
Total	<u>\$3,010,369</u>	<u>\$4,683,503</u>

Sales are classified by customers' country.

B. Non-current Assets:

	December 31,	
	2023	2022
Mainland China	\$49,402	\$52,666
Taiwan	2,104,658	2,200,311
Others	283,460	319,144
Total	<u>\$2,437,520</u>	<u>\$2,572,121</u>

Young Optics Inc. And Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Major customers information

The information on external customers with revenue accounting for at least 10% of consolidated total revenue is as follows :

	Years ended December 31,	
	2023	2022
A1 Customer	(Note)	\$684,943
A7 Customer	306,038	(Note)

Note: Since individual amounts did not exceed 10% net sales of the Group, disclosure was not required.

Attachment 1: Financing provided to others for the year ended December 31, 2023

in thousand of NTD/USD

No.	Lender	Counter-party	Financial statement account	Related party	Maximum balance for the period (Note 3)	Ending balance (Note 4 and 5)	Actual amount provided (Note 5)	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for expected credit losses	Collateral		Limits of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	Young Optics Inc.	Young Optics (BD) LTD.	Other receivables-related parties	Yes	\$64,850 (US\$ 2,000,000)	\$61,410 (US\$ 2,000,000)	\$18,423 (US\$ 600,000)	-	The need for short-term financing	-	Business turnover	-	-	-	\$1,248,005 (Note 1)	\$1,248,005 (Note 1)
1	Best Alpha Investments Limited	Young Optics (BD) LTD.	Other receivables-related parties	Yes	\$32,425 (US\$ 1,000,000)	\$30,705 (US\$ 1,000,000)	\$30,705 (US\$ 1,000,000)	-	The need for short-term financing	-	Business turnover	-	-	-	\$506,208 (Note 2)	\$506,208 (Note 2)

Note 1: Due to the necessity of short-term financing between companies or firms, the individual and total lending limit is 40% of the net value of the company when lending money to others.

Note 2: Best Alpha Investments Limited provided financing to the foreign subsidiaries whose shares are 100% owned by Young Optics Inc.. Limit of total financing amount for individual counter-party should not exceed Best Alpha's net worth or 40% of Young Optics' net worth from the latest financial statement.

Note 3: Net worth was based on the latest audited financial statements by Certified Public Accountant.

Note 4: The initial currency amount transferred from the maximum balance multifield with the foreign exchange rate in month end.

Note 5: Initial limit in foreign currency valid till December 31, 2023 for financing provided to others.

Note 6: Initial amount in foreign currency transferred from foreign exchange rate on December 31, 2023.

Note 7: The parent company mentioned is Young Optics Inc..

Attachment 2: Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2023

in RMB

Held company name	Marketable securities type and name	Financial statement account	Counter-party	Relationship	Beginning balance		Addition		Disposal				Ending balance	
					Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Selling Price	Carrying amount	Gain (loss) from disposal (note)	Units/Shares	Amount
Young Optics (Kunshan) Co., Ltd.	Structural deposits	Financial assets at amortized cost-current	Jiangsu Kunshan Rural Commercial Bank	-	-	-	-	RMB 125,000,000	-	-	RMB 125,000,000	RMB 793,258	-	-
Young Optics (Kunshan) Co., Ltd.	Structural deposits	Financial assets at amortized cost-current	China Citic Bank Corporation Limited	-	-	-	-	RMB 180,000,000	-	-	RMB 180,000,000	RMB 1,040,859	-	-
Young Optics (Suzhou) CO., LTD.	Structural deposits	Financial assets at amortized cost-current	Jiangsu Kunshan Rural Commercial Bank	-	-	-	-	RMB 85,000,000	-	-	RMB 85,000,000	RMB 550,943	-	-
Young Optics (Suzhou) CO., LTD.	Structural deposits	Financial assets at amortized cost-current	China Citic Bank Corporation Limited	-	-	-	-	RMB 60,000,000	-	-	RMB 60,000,000	RMB 355,012	-	-

Note: To be recognized in interest income.

Attachment 3: Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2023

in thousand of NTD

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payables)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivable (payable)	
Young Optics Inc. Young Optics (Kunshan) Co., Ltd.	Young Optics (Kunshan) Co., Ltd.	Subsidiary	Purchases	\$744,664	47.85%	90 days	-	-	\$(384,306)	(69.21%)	
	Young Optics (BD) LTD.	Subsidiary	Purchases	116,373	7.48%	30 days	-	-	-	-	
	Rays Optics Inc.	(Note 1)	Sales	339,596	12.35%	30 days	-	-	-	-	
	Coretronic Projection (Kunshan) Co., Ltd	the ultimated parent company same as the Group	Sales	375,468	13.66%	90 days	-	-	148,344	26.28%	(Note 2)
	Coretronic Projection (Kunshan) Co., Ltd	the ultimated parent company same as the Group	Purchases	211,955	26.49%	90 days	-	-	(84,146)	(44.83%)	(Note 2)
	Coretronic Optics (Kunshan) Corporation	the ultimated parent company same as the Group	Sales	299,513	27.46%	90 days	-	-	44,654	10.20%	

Note 1:The Company acquired and merged Rays Optics Inc. on September 8, 2023.

Note 2: All transactions among Young Optics Inc., Young Optics (Kunshan) Co., Ltd. and Coretronic Projection (Kunshan) Co., Ltd were present as gross amounts, and the percentage of total receivables (payables) were calculated accordingly. Related payables and receivables also included other payables and other receivables.

Attachment 4: Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percentage of capital stock as of December 31, 2023

in thousand of NTD

Company name	Counter-party	Relationship	Trade receivables-related parties balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for expected credit losses	Note
					Amount	Collection status			
Young Optics Inc.	Coretronic Projection (Kunshan) Co., Ltd	The ultimated parent company same as the Group	\$148,344 (Note 1)	-	-	-	-	-	
	Masterview Enterprises Limited	Subsidiary	162,737 (Note 2)	-	-	-	-	-	
Young Optics (Kunshan) Co., Ltd.	Young Optics Inc.	Subsidiary	384,306	1.88	-	-	-	-	
Grace China Investments Limited	Young Optics (BD) LTD.	Subsidiary	289,393 (Note 1)	-	-	-	-	-	
Masterview Enterprises Limited	Grace China Investments Limited	Subsidiary	162,737 (Note 2)	-	-	-	-	-	

Note 1: Includes other receivables.

Note 2: It includes other receivables from capital reduction and dividend distribution.

Attachment 5: Significant intercompany transactions between consolidated entities.

in thousand of NTD

No.	Related party	Counter-party	Transactions			
			Accounts	Amount	Term	Percentage of consolidated operating revenues or consolidated total assets
0	Young Optics Inc.	Ray Optics Inc.(Note)	Sales	\$339,596	Collection term : 30 days	11.28%
		Young Optics (Suzhou) CO., LTD.	Sales	9,819	Collection term : 60 days	0.33%
			Trade receivables-related parties	1,937		0.04%
			Purchases	4,600	Payment term : 60 days	0.15%
			Account payable-related parties	4,501		0.10%
		Mejiro Genossen Inc.	Sales	5,266	Collection term : 90 days	0.17%
			Trade receivables-related parties	2,411		0.05%
			Purchases	2,974	Payment term : 30 days	0.10%
			Account payable-related parties	1,621		0.03%
			Manufacturing expense	324		0.01%
		Young Optics (Kunshan) Co., Ltd.	Sales	753	Collection term : 60 days	0.03%
			Trade receivables-related parties	15,659		0.33%
			Purchases	744,664	Payment term : 90 days	24.74%
			Account payable-related parties	384,306		8.15%
			Sale on fixed assets	1,093		0.02%
		Young Optics (BD) LTD.	Sales	8	Collection term : 60 days	0.00%
			Trade receivables-related parties	57,306		1.21%
			Other receivables-related parties	18,423	-	0.39%
			Purchases	116,373	Payment term : 30 days	3.87%
			Prepayments	27,194		0.58%
			Sale on fixed assets	4,115		0.09%
		Masterview Enterprises Limited	Other receivables-related parties	162,737	-	3.45%
1	Young Optics (Kunshan) Co., Ltd.	Young Optics (Suzhou) CO., LTD.	Sales	31,577	Collection term : 60 days	1.05%
			Trade receivables-related parties	7,576		0.16%
			Purchases	306	Payment term : 60 days	0.01%
			Account payable-related parties	3		0.00%
			Other payable-related parties	918		0.02%
			Manufacturing expense	2,665	-	0.09%
		Young Optics (BD) LTD.	Sales	697	Collection term : 60 days	0.02%
			Trade receivables-related parties	89		0.00%
			Purchases	25,063	Payment term : 60 days	0.83%
			Prepayments	2,596		0.06%
2	Young Optics (BD) LTD.	Mejiro Genossen Inc.	Purchases	171	Payment term : 30 days	0.01%
		Grace China Investments Limited	Account payable-related parties	154,383	Payment term : 60 days	3.27%
			Other payables-related parties	135,010		2.86%
		Best Alpha Investments Limited	Other payables-related parties	30,705	-	0.65%
3	Masterview Enterprises Limited	Grace China Investments Limited	Other receivables-related parties	162,737	-	3.45%

Note: The Company acquired and merged Rays Optics Inc. on September 8, 2023.

Investor company	Investee company	Address	Main business and products	Initial investment		Investment as of December 31, 2022			Net income (loss) of investee company (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount (Note 1)			
Young Optics Inc.	Masterview Enterprises Limited	B.V.I	Holding company	US\$ 200,000 (Note 3)	US \$6,000,000	200,000 (Note 3)	100%	\$1,141,894	\$(181,715)	\$(181,715)	Subsidiary
	Ray Optics Inc.	Taiwan	Manufacture and selling of optics instruments and components	(Note 2)	\$298,140	-	-	-	\$(6,205)	\$(6,205)	(Note 2)
	Mejiro Genossen Inc.	Japan	Researching, developing, manufacturing and selling of optics machines	JPY 161,200,908	JPY 161,200,908	4,950	99.0%	\$46,717	\$6,035	\$5,609	Subsidiary
Masterview Enterprises Limited	Grace China Investments Limited	Cayman islands	Holding company	US\$ 2,356,458 (Note 3)	US\$ 8,156,458	2,356,458 (Note 3)	100%	US\$ 24,895,828	(US\$ 2,428,198)	-	Subsidiary
	Best Alpha Investments Limited	Samoa islands	Holding company	US\$ 1,000,000	US\$ 1,000,000	1,000,000	100%	US\$ 15,814,587	(US\$ 731,095)	-	Subsidiary
	Young Optics (BD) LTD.	Bangladesh	Manufacturing of optics components	US\$ 12,000,000	US\$ 12,000,000	10,089,436	80.0%	(US\$ 3,548,970)	(US\$ 3,353,424)	-	Subsidiary
Grace China Investments Limited	Young Optics (BD) LTD.	Bangladesh	Manufacturing of optics components	US\$ 3,000,000	US\$ 3,000,000	2,479,960	20.0%	(US\$ 887,243)	(US\$ 3,353,424)	-	Subsidiary

Note 1: It has been included in gain or loss in investment to subsidiary and second tier subsidiary for the recognition on gain or loss to those parties.

Note 2: The Company acquired and merged Rays Optics Inc. on September 8, 2023.

Note 3: The Company's subsidiaries, Masterview Enterprises Limited and Grace China Investments Limited, each reduced their capital by US\$ 5,800,000 in December 2023.

in thousand of NTD / USD / RMB

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 1)	Carrying value as of December 31, 2023 (Note 1)	Accumulated inward remittance of earnings as of December 31, 2023
					Outflow	Inflow						
Young Optics (Kunshan) Co., Ltd.	Design, development and production of color wheels, lens set, filter and other related optical components and the above products, instruments and equipments, digital projection TVs in addition to their related modules, solid-state light sources, digital projection game machines, precision digital on-line measurement instruments and assembly to adjustment equipments, various products and components for image extraction and display; sales of home-made products and offer the following service in warranty;The Company is engaged in the production of similar products and raw materials for wholesale, trade on import and export business.	\$440,619 (US\$ 12,200,000) (Note 4,5 and 13)	Indirect investment from the third region (Best Alpha and Grace China)	\$164,450 (US\$ 5,000,000)	\$-	\$-	\$164,450 (US\$ 5,000,000)	\$(81,457) (-US\$ 2,621,906)	100.00%	\$(81,457) (-US\$ 2,621,906)	\$870,588 (US\$ 28,353,283)	\$74,505 (US\$ 2,457,289) (Note2 and Note10~Note11)
Young Optics (Suzhou) CO., LTD.	Research and development, manufacture and maintenance of optical engines and related optoelectronic components, optical components, color wheel, integration column, projector lens, lens, lens barrel, LCD TV, equal ion TVs, optical rear projection TVs and other phase-capable high image digital TV (flat panel and optical HDTV), colorful video projectors, related new optoelectronic and optical components in related products, various imaging extracted and display optical parts and products, sales on products manufactured by the company and provide related services in warranty. Engaged in the sale of similar products manufactured by the company and its raw materials, optical equipments, and related testing equipment for wholesale, and its import and export business.	33,951 (US\$ 1,000,000)	Indirect investment from the third region (Best Alpha)	33,951 (US\$ 1,000,000)	-	-	33,951 (US\$ 1,000,000)	(2,510) (-US\$ 87,341)	100.00%	(2,510) (-US\$ 87,341)	239,334 (US\$ 7,794,610)	1,328,957 (US\$ 31,295,415 and RMB 80,635,502) (Note2、Note6~Note9 and Note12)

Accumulated investment in Mainland China as of December 31, 2023 (Note2)	Investment amounts authorized by Investment Commission, MOEA (Note2)	Upper limit on investment
\$198,401 (US\$ 6,000,000)	\$233,101 (US\$ 7,020,000)	Note3

Note1: The investmens were fully consolidated in accordance with the Regulations.

Note2: To use historical currency rates.

Note3: Young Optics Inc. has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA in June 2018; therefore the upper limit on investment in Mainland China pursuant to "Principal of Investment or Technical Cooperation in Mainland China" is not applicable.

Note4: Young Optics (Kunshan) Co., Ltd. invested US\$ 9,800,000 through capitalization of earnings in 2007. Best Alpha Investments Limited invested US\$ 2,300,000.

Note5: Young Optics (Kunshan) Co., Ltd. invested US\$ 1,300,000 through capitalization of earnings in April 2009. Grace China Investments Limited invested US\$ 824,850. Best Alpha Investments Limited invested US\$ 2,975,150.

Note6: Best Alpha Investments Limited received cash dividends amounting to US\$ 20,235,299 for distribution profits from Young Optics (Suzhou) CO., LTD. in 2011 and had remitted it back to Young Optics Inc..

Note7: Best Alpha Investments Limited received cash dividends amounting to RMB 27,691,452 and US\$ 4,509,641 for distribution profits from Young Optics (Suzhou) CO., LTD. in 2014. The RMB 24,922,307 of them had remitted back to Young Optics Inc..

Note8: Best Alpha Investments Limited received cash dividends amounting to RMB 52,944,050 for distribution profits from Young Optics (Suzhou) CO., LTD. in 2015 and had remitted it back to Young Optics Inc..

Note9: Best Alpha Investments Limited received cash dividends amounting to US\$ 4,528,402 for distribution profits from Young Optics (Suzhou) CO., LTD. in 2017 and had remitted it back to Young Optics Inc..

Note10: Best Alpha Investments Limited received cash dividends amounting to US\$ 603,264 for distribution profits from Young Optics (Kunshan) Co., Ltd. in 2017 and had remitted it back to Young Optics Inc..

Note11: Grace China Investments Limited received cash dividends amounting to US\$ 1,854,025 for distribution profits from Young Optics (Kunshan) Co., Ltd. in 2017 and has remitted it back to Young Optics Inc..

Note12: Best Alpha Investments Limited received cash dividends amounting to US\$ 6,531,714 for distribution profits from Young Optics (Suzhou) CO., LTD. in 2018 and has remitted it back to Young Optics Inc..

Note13: Young Optics (Kunshan) Co., Ltd. conducted capital reduction amounting to US\$ 10,000,000 in December 2020.

Note14: Young Optics (Kunshan) Co., Ltd., have approved a capital reduction of US\$ 7,200,000 in a shareholder meeting in November 2023 and completed the capital reduction procedure in January 2024.

Attachment 8: The information of Major shareholders as of December 31, 2023

shares/percentage		
Name	Number of shares (Units/shares)	Percentage of ownership(%)
Coretronic Corporation	37,217,586	32.62%
Jiang, Yu-Lian	7,175,499	6.29%
<p>Note 1: Major shareholders who had been delivered paperless shares in common and preferred stocks calculated by TDCC upper to 5% in aggregate on last business day quarterly. There are variances due to the basis of calculation in registered shares of financial report compared to paperless shares to be delivered actually.</p> <p>Note 2: The above mentioned information disclosed separately per agents behalf of his principals in specific account if it attributed to shares committed to be delivered to As to the declaration of shares held over 10% by shareholders according to Securities and Exchange Act, the shares to be held includes shares owned by himself plus to the shares delivered to trust and the shares to be owned for the discretion to manage the trust property. With regard to information in declaration of shares for insiders, please refer to the website at https://mops.twse.com.tw/mops/web/index.</p> <p>Note 3: The sheet was prepared in accordance with the allocation calculated by separate balance on credit transactions in the shareholders list of shares (not buy to cover on short squeeze) to be held on the date of stop to transfer in extraordinary meeting of shareholders.</p> <p>Note 4: The percentage of ownership = total shares held by shareholders separately / total shares to be completed the delivery on paperless</p> <p>Note 5: Total shares to be completed the delivery on paperless (including of Treasury Stocks) are 114,059,785 shares = 114,059,785 shares (Common Stocks) + 0 share (Preferred Stock)</p>		