

Stock Code:
3504

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YOUNGOptics

Young Optics Inc.

Handbook for the 2020 Annual General Meeting of Shareholders (Translation)

Meeting Date: June 12, 2020

Place: No.2, Zhanye 1st Rd., East Dist., Hsinchu City 300, Taiwan R.O.C.
(Conference Room no. 202, The Allied Association of Science Park Industries)

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Young Optics Inc.

Procedure for the 2020 Annual General Meeting of Shareholders

1. Call the Meeting to Order
2. Chairman Remarks
3. Company Reports
4. Matters for Ratification
5. Matters for Discussion
6. Questions and Motions
7. Adjournment

Young Optics Inc.

Agenda of Annual General Meeting of Shareholders

Time : 9:00 a.m. on June 12 (Friday), 2020

Place : No.2, Zhanye 1st Road, East Dist., Hsinchu City 300, Taiwan R.O.C.

(Conference Room no. 202, the Allied Association of Science Park Industries)

I. Call the Meeting to Order

II. Chairman Remarks

III. Company Reports

1. 2019 Annual Business Report.
2. 2019 Audit Committee's Report.

IV. Matters for Ratification

1. Ratification of 2019 Annual Business Reports and Financial Statements.
2. Ratification of Proposal for the Distribution of 2019 Earnings.

V. Matters for Discussion

1. Proposal of Release the prohibition on the Directors from Participation in Competitive Business.

VI. Questions and Motions

VII. Adjournment

Company Reports

1. 2019 Annual Business Report.

2019 Annual Business Report is attached as Attachment no. 1 on page 6 to 7 of this handbook.

2. 2019 Audit Committee's Report.

The Audit Committee's Report on 2019 Financial Statements is attached as Attachment no. 2 on page 8 of this handbook.

Matters for Ratification

(Proposed by the Board of Directors)

1. Ratification of 2019 Annual Business Reports and Financial Statements.

- (1) The Company's 2019 Financial Statements have been audited by Ernst & Young.
- (2) Please refer to Attachment no. 1 on page 6 to 7 for 2019 Annual Business Reports and Attachment no. 3 for Audited Financial Statements from page 9 to 26 of this handbook.
- (3) The proposal is submitted for ratification.

Resolution:

(Proposed by the Board of Directors)

2. Ratification of the Proposal for the Distribution of 2019 Earnings.

- (1) The retained earnings at the beginning of 2019 plus re-measurement of defined benefit obligations in 2019 of NTD 514,400. Taking the net income in 2019 of NTD 4,549,555 into account and appropriated for Legal Reserve and Special Reserve, the retained earnings available for distribution at the end of 2019 is NTD 174,126,212. The above-mentioned retained earnings will be reserved for the working capital demand for future business operation.
- (2) The 2019 earnings distribution proposal has been prepared in accordance with the Articles of Incorporation and the Company Act. Please refer to the Attachment no. 4 on Page 27.
- (3) The proposal is submitted for ratification.

Resolution:

Matters for Discussion

(Proposed by the Board of Directors)

1. Proposal of Release the prohibition on the Directors from Participation in Competitive Business

- (1) According to Article 209-1 of the Company Act, a director who does anything for himself /herself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Proposed to request the shareholders' approval to release the prohibition on the directors from participation in competitive business under the premise that doesn't impair the interest of the Company. The details in the list below.

Title	Name	Prohibitions for Competitive Business to be Released
Director	Coretronic Corporation	Director, Eterge Opto-Electronics Co., Ltd
		Director, Coretronic MEMS Corporation
		Director, Coretronic Reality Incorporation

- (3) The proposal is submitted for ratification.

Resolution:

Questions and Motions

Adjournment

Young Optics Inc. 2019 Annual Business Report

For the fiscal year of 2019, Young Optics Inc. has reported consolidated sales revenue of NT\$4,820 million. Gross profit was reported at NT\$1,029 million with gross profit margin of 21.4%, income before tax was NT\$4.94 million with net income of NT\$5.36 million. Consolidated net income attributed to shareholders of the Parent company was NT\$4.55 million. The basic EPS was NT\$0.04 per common share.

In the year of 2019, although the mid- and low-end 1080P of Pico Display were added, the high -end of Pico Display sales volumes decrease as compared with last year, the overall of the Pico Display sales volumes increased slightly than last year. Sales of Image Optical increased about 20% comparing with 2018 due to the smart home had gradually matured and entered in the expansion stage in the United States. Revenue of 3D Printer decreased about 20% comparing with 2018, because ODM client in order to slash excess stocks. For the Optical Component products, due to the low demand of low-end projectors, revenue declined by about 20% comparing with last year. There were no sales volumes of Industrial Optical Modules applied for shelf- display during the year. Other productions were comparable to the same period of last year.

In terms of research and innovation, Young Optics Inc. has shown the following achievements in 2019 through the teamwork and collaboration of R&D Department:

1. Successfully Developed Coaxial Deviation of Optical Class Taper Pin : <0.5um
2. Successfully Developed Freeform Mold Machining and Measurement in Augmented Reality
3. Successfully Developed Automotive Smart Head Lamp
4. Successfully Developed 4K DLP 3D Printer(25x23cm²)
5. Successfully Developed Structure Light Scanning Engine
6. Successfully Developed Lens for PCB UV Exposure Device

Looking into 2020, Young Optics Inc. will aim to implementing the following strategies:

- (1) To develop the products applied for clients in automobiles, 3D-Printing and Smart factory markets increases the sales percentage or shares in industrial and business applications.

- (2) To enhance the technical capabilities and management of the optical product manufacturing process. Build competitive advantage and reduce the cost.
- (3) Actively adjust the production configuration of products in Bangladesh, China, Japan and Taiwan for supplying product to client steadily.
- (4) To become the most reliable partners of supply for our esteemed clients via excellent performance in every detail of quality assurance, production processing and service providing.
- (5) Through the market strategy and group layout, plus lower cost funding. Young Optics Inc. could pursue the best interests of all clients, employees and shareholders.

Sincerely,

Chairman: Jing-Zhou, Huang

President: Claude Shyu

Accountant: Cynthia Chang

Audit Committee's Report

To: 2019 General Annual Meeting of Shareholders of Young Optics Inc.

The Board of Directors of the Company has delivered the 2019 business reports, the financial statements and the proposed 2019 earnings distribution. The aforesaid 2019 financial statements of the Company and the consolidated financial statements had been audited by Ernst & Young. The Audit Committee has examined the above statements and found nothing out of order and thus prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your ratification.

Young Optics Inc.

Chairman of the Audit Committee : Han-Ping, Shieh

Date: April 27, 2020

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Young Optics Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Young Optics Inc. (“the Company”) as of December 31, 2019 and 2019, and the related parent company only statements of comprehensive income, parent company only changes in equity and parent company only cash flows for the years ended December 31, 2019 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2019, and its parent company only financial performance and cash flows for the years ended December 31, 2019 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent company only financial Statements section of our report. We are independent of the Company 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of December 31, 2019, the Company's net inventory amounted to NT\$234,193 thousand, which is significant for the parent company only 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 recalculating the correctness of the allowance write-down amount. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the Company's parent company only financial statements.

Revenue recognition

The Company recognized the revenue amounted to NT\$4,191,505 thousand for the year ended December 31, 2019. Main source of revenue comes from projection products and imaging-related products sales. As revenue is the main operating activity of the Company, the Company 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 parent company only financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent company only financial Statements

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

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

Auditor's Responsibilities for the Audit of the Parent company only financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

Taiwan, Republic of China

February 14, 2020

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

YOUNG OPTICS INC.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and December 31, 2018

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	%	December 31, 2018	%	LIABILITIES AND EQUITY	December 31, 2019	%	December 31, 2018	%
Current assets					Current liabilities				
Cash and cash equivalents	\$213,056	3	\$323,811	6	Short-term loans	\$804,000	12	\$470,000	8
Notes receivable, net	600	-	-	-	Contract liabilities-current	30,515	1	28,454	1
Accounts receivable, net	779,069	12	548,762	10	Accounts payable	380,246	6	208,379	4
Accounts receivable-related parties, net	508,583	8	275,397	5	Accounts payable-related parties	992,043	15	525,501	9
Other receivables	16,442	-	11,852	-	Other payables	399,093	6	456,307	8
Other receivables-related parties	326,600	5	170,323	3	Other payables-related parties	4,358	-	1,757	-
Current tax assets	-	-	98	-	Current tax liabilities	7,470	-	23,036	-
Inventories, net	234,193	4	292,412	5	Provisions-current	23,387	-	20,530	-
Prepayments	12,237	-	8,153	-	Lease liabilities, non-related parties	15,789	-	-	-
Other current assets-others	75,174	1	92,969	1	Long-term liabilities - current portion	6	-	164,167	3
Total current assets	2,165,954	33	1,723,777	30	Other current liabilities-others	10,507	-	13,363	-
					Total current liabilities	2,667,414	40	1,911,494	33
Non-current assets					Non-current liabilities				
Investments accounted for using the equity method	1,913,916	29	1,982,261	35	Long-term loans	183,427	3	287,291	5
Property, plant and equipment	1,886,708	29	1,742,593	31	Deferred tax liabilities	17,389	1	17,411	1
Right-of-use assets	350,544	5	-	-	Lease liabilities, non-related parties-noncurrent	338,024	5	-	-
Investment property, net	168,406	2	176,459	3	Guarantee deposits	4,607	-	4,607	-
Intangible assets	53,395	1	9,981	-	Total non-current liabilities	543,447	9	309,309	6
Deferred tax assets	35,942	1	23,761	-	Total liabilities	3,210,861	49	2,220,803	39
Refundable deposits	4,861	-	4,769	-	Equity				
Net defined benefit assets-noncurrent	12,602	-	10,675	-	Capital				
Other non-current financial assets	21,848	-	21,835	-	Common stock	1,140,598	17	1,140,598	20
Other non-current assets, others	322	-	47,466	1	Capital surplus	1,648,711	25	1,648,711	28
Total non-current assets	4,448,544	67	4,019,800	70	Retained earnings				
					Legal reserve	439,747	7	421,812	7
					Special reserve	126,549	2	82,686	2
					Undistributed earnings	240,723	3	355,516	6
					Total retained earnings	807,019	12	860,014	15
					Other equity	(192,691)	(3)	(126,549)	(2)
					Total equity	3,403,637	51	3,522,774	61
Total assets	\$6,614,498	100	\$5,743,577	100	Total liabilities and equity	\$6,614,498	100	\$5,743,577	100

YOUNG OPTICS INC.**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME****For the years ended December 31, 2019 and 2018**

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

Description	2019	%	2018	%
Net sales	\$4,191,505	100	\$5,572,018	100
Operating costs	(3,425,975)	(82)	(4,610,357)	(83)
Gross profit	765,530	18	961,661	17
Unrealized gross profit on sales	(11,375)	-	(14,083)	-
Realized gross profit on sales	14,083	-	4,948	-
Gross profit, net	768,238	18	952,526	17
Operating expenses				
Sales and marketing expenses	(107,720)	(2)	(105,965)	(2)
General and administrative expenses	(144,801)	(3)	(190,623)	(3)
Research and development expenses	(533,527)	(13)	(529,179)	(10)
Total operating expenses	(786,048)	(18)	(825,767)	(15)
Operating (loss) income	(17,810)	-	126,759	2
Non-operating income and expenses				
Other income	44,661	1	36,018	1
Other gains and losses	(23,893)	(1)	3,063	-
Finance costs	(17,957)	-	(11,106)	-
Share of (loss) profit of subsidiaries, associates and joint ventures	(5,831)	-	57,026	1
Total non-operating income and expenses	(3,020)	-	85,001	2
Net (loss) income before income tax	(20,830)	-	211,760	4
Income tax benefit (expense)	25,379	-	(32,409)	(1)
Net income	4,549	-	179,351	3
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	(643)	-	(2,016)	-
Income tax related to items that will not be reclassified subsequently	129	-	151	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(66,142)	(2)	(24,207)	-
Income tax related to items that may be reclassified subsequently	-	-	-	-
Other comprehensive loss, net of tax	(66,656)	(2)	(26,072)	-
Total comprehensive (loss) income	\$(62,107)	(2)	\$153,279	3
Basic Earnings Per Share (in New Taiwan Dollars)	\$0.04		\$1.57	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$0.04		\$1.57	

YOUNG OPTICS INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(In thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent						Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Other equity	
Balance as of January 1, 2018	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$178,030	\$(102,342)	\$3,369,495
Net income in 2018	-	-	-	-	179,351	-	179,351
Other comprehensive loss in 2018	-	-	-	-	(1,865)	(24,207)	(26,072)
Total comprehensive income (loss)	-	-	-	-	177,486	(24,207)	153,279
Balance as of December 31, 2018	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$355,516	\$(126,549)	\$3,522,774
Balance as of January 1, 2019	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$355,516	\$(126,549)	\$3,522,774
Appropriation and distribution of earnings	-	-	17,935	-	(17,935)	-	-
Legal reserve	-	-	-	-	(43,863)	-	-
Special reserve	-	-	-	43,863	(57,030)	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(57,030)
Net income in 2019	-	-	-	-	4,549	-	4,549
Other comprehensive loss in 2019	-	-	-	-	(514)	(66,142)	(66,656)
Total comprehensive income (loss)	-	-	-	-	4,035	(66,142)	(62,107)
Balance as of December 31, 2019	\$1,140,598	\$1,648,711	\$439,747	\$126,549	\$240,723	\$(192,691)	\$3,403,637

YOUNG OPTICS INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(In thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Net (loss) income before tax	\$(20,830)	\$211,760	Proceeds from disposal of property, plant and equipment	2,887	7,092
Adjustments for:			Acquisition of property, plant and equipment	(320,721)	(230,345)
Profit or loss items :	16	-	Acquisition of investments accounted for using the equity method	-	(17,941)
Expected credit losses	212,588	179,292	Acquisition of intangible assets	(16,448)	(8,872)
Depreciation	7,462	7,982	Increase in refundable deposits	(92)	(4,545)
Amortization	17,957	11,106	Increase in other non-current financial assets	(13)	(12)
Interest expense	(4,433)	(3,060)	Decrease (Increase) in other non-current assets, others	16,754	(21,342)
Interest income	5,831	(57,026)	Net cash used in investing activities	(317,633)	(275,965)
Share of (loss) profit of subsidiaries, associates and joint ventures	11,375	14,083	Cash flows from financing activities :		
Unrealized gross profit on sales	(14,083)	(4,948)	Increase in short-term loans	334,000	170,000
Realized gross profit on sales	(920)	(920)	Decrease in long-term loans (include current portion of long-term loans)	(268,025)	(46,667)
Realized gain on disposal of intangible assets	235	152	Repayment of the principal portion of lease liabilities	(15,554)	-
Loss on disposal of property, plant and equipment	-	15	Increase in guarantee deposits	-	2,132
Transfer of property, plant and equipment to expense	(600)	-	Cash dividends	(57,030)	-
Changes in operating assets and liabilities:			Net cash (used in) provided by financing activities	(6,609)	125,465
Notes receivable	(230,323)	(220,102)			
Accounts receivable	(233,186)	11,500	Net (decrease) increase in cash and cash equivalents	(110,755)	50,279
Accounts receivable-related parties	(4,612)	(4,755)	Cash and cash equivalents at beginning of the period	323,811	273,532
Other receivables	(156,277)	(100,022)	Cash and cash equivalents at end of the period	\$213,056	\$323,811
Other receivables-related parties	58,219	(61,409)			
Inventories	(4,084)	5,048			
Prepayments	17,795	(12,213)			
Other current assets-others	2,061	22,460			
Contract liabilities-current	171,867	24,337			
Accounts payable	466,542	(99,343)			
Accounts payable-related parties	(73,270)	102,361			
Other payables	2,303	(5,157)			
Other payables-related parties	2,857	6,775			
Provisions-current	(2,856)	5,701			
Other current liabilities-others	(2,570)	(2,574)			
Net defined benefit assets-noncurrent	229,064	31,043			
Cash generated from operations	4,455	3,020			
Interest received	-	201,249			
Dividend received	(17,869)	(11,061)			
Interest paid	(2,163)	(23,472)			
Income tax paid	213,487	200,779			
Net cash provided by operating activities					

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, 2019 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2019, and notes to the consolidated financial statements, including the summary of significant 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, 2019 and 2019, and its consolidated financial performance and cash flows for the years ended December 31, 2019 and 2019, 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 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 2019 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, 2019, the Group's net inventory amounted to NT\$571,261 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 recalculating the correctness of the allowance write-down 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\$4,819,901 thousand for the year ended December 31, 2019. Main source of revenue comes from projection products and imaging-related products sales. As revenue is the main operating activity of the Group, 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.

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2019.

Ernst & Young, Taiwan

Taiwan, Republic of China

February 14, 2020

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.

YOUNG OPTICS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and December 31, 2018

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	%	December 31, 2018	%	LIABILITIES AND EQUITY	December 31, 2019	%	December 31, 2018	%
Current assets					Current liabilities				
Cash and cash equivalents	\$1,266,655	21	\$1,286,968	23	Short-term loans	\$826,766	13	\$483,771	9
Notes receivable, net	18,721	-	8,040	-	Contract liabilities-current	30,517	1	28,357	1
Accounts receivable, net	876,659	14	764,962	14	Accounts payable	590,151	10	481,710	8
Accounts receivable-related parties, net	104,579	2	128,669	2	Other payables	582,571	9	622,145	11
Other receivables	31,360	1	20,908	-	Other payables-related parties	3,596	-	3,803	-
Other receivables-related parties	146	-	-	-	Current tax liabilities	12,724	-	31,299	1
Current tax assets	10,411	-	17,979	-	Provisions-current	26,539	1	24,090	-
Inventories, net	571,261	9	873,881	15	Lease liabilities, non-related parties	23,072	1	-	-
Prepayments	17,703	-	14,479	-	Lease liabilities, related parties	16,846	-	-	-
Other current financial assets	851	-	2,027	-	Long-term liabilities - current portion	6	-	164,167	3
Other current assets-others	85,080	1	106,433	2	Other current liabilities-others	12,641	-	19,382	-
Total current assets	2,983,426	48	3,224,346	56	Total current liabilities	2,125,429	35	1,858,724	33
Non-current assets					Non-current liabilities				
Property, plant and equipment	2,380,984	39	2,127,270	37	Long-term loans	183,427	3	287,291	5
Right-of-use assets	467,881	8	-	-	Deferred tax liabilities	17,389	-	17,411	-
Investment property, net	168,406	3	176,459	3	Lease liabilities, non-related parties-noncurrent	368,511	6	-	-
Intangible assets	75,134	1	32,557	1	Lease liabilities, related parties-noncurrent	69,860	1	-	-
Deferred tax assets	44,478	1	32,297	1	Guarantee deposits	6,752	-	6,889	-
Refundable deposits	26,236	-	28,580	1	Total non-current liabilities	645,939	10	311,591	5
Net defined benefit assets-noncurrent	12,602	-	10,675	-	Total liabilities	2,771,368	45	2,170,315	38
Other non-current financial assets	21,848	-	21,835	-	Equity attributable to shareholders of the parent				
Other non-current assets, others	3,190	-	47,466	1	Capital				
Total non-current assets	3,200,759	52	2,477,139	44	Common stock	1,140,598	18	1,140,598	20
					Capital surplus	1,648,711	27	1,648,711	29
					Retained earnings				
					Legal reserve	439,747	7	421,812	7
					Special reserve	126,549	2	82,686	2
					Undistributed earnings	240,723	4	355,516	6
					Total retained earnings	807,019	13	860,014	15
					Other equity	(192,691)	(3)	(126,549)	(2)
					Equity attributable to owners of the parent	3,403,637	55	3,522,774	62
					Non-controlling interests	9,180	-	8,396	-
					Total equity	3,412,817	55	3,531,170	62
Total assets	\$6,184,185	100	\$5,701,485	100	Total liabilities and equity	\$6,184,185	100	\$5,701,485	100

YOUNG OPTICS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

Description	2019	%	2018	%
Net sales	\$4,819,901	100	\$6,262,245	100
Operating costs	(3,790,730)	(79)	(5,007,427)	(80)
Gross profit	1,029,171	21	1,254,818	20
Operating expenses				
Sales and marketing expenses	(163,015)	(3)	(160,909)	(2)
General and administrative expenses	(225,727)	(5)	(266,508)	(4)
Research and development expenses	(648,781)	(13)	(660,771)	(11)
Total operating expenses	(1,037,523)	(21)	(1,088,188)	(17)
Operating (loss) income	(8,352)	-	166,630	3
Non-operating income and expenses				
Other income	67,436	1	77,251	1
Other gains and losses	(28,748)	(1)	11,663	-
Finance costs	(25,394)	-	(11,609)	-
Total non-operating income and expenses	13,294	-	77,305	1
Net income before income tax	4,942	-	243,935	4
Income tax benefit (expense)	418	-	(63,776)	(1)
Net income	5,360	-	180,159	3
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	(643)	-	(2,016)	-
Income tax related to items that will not be reclassified subsequently	129	-	151	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(66,169)	(1)	(24,199)	(1)
Income tax related to items that may be reclassified subsequently	-	-	-	-
Other comprehensive loss, net of tax	(66,683)	(1)	(26,064)	(1)
Total comprehensive (loss) income	\$(61,323)	(1)	\$154,095	2
Net income attributable to :				
Shareholders of the parent	\$4,549		\$179,351	
Non-controlling interests	811		808	
	\$5,360		\$180,159	
Total comprehensive (loss) income attributable to :				
Shareholders of the parent	\$(62,107)		\$153,279	
Non-controlling interests	784		816	
	\$(61,323)		\$154,095	
Basic Earnings Per Share (in New Taiwan Dollars)	\$0.04		\$1.57	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$0.04		\$1.57	

YOUNG OPTICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(In thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent							Non-controlling interests	Total equity	
	Common stock	Capital surplus	Retained earnings			Undistributed earnings	Other equity exchange differences resulting from translating the financial statements of foreign operations			Total
			Legal reserve	Special reserve	Special reserve					
Balance as of January 1, 2018	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$82,686	\$178,030	\$(102,342)	\$3,369,495	\$7,399	\$3,376,894
Net income in 2018	-	-	-	-	-	179,351	-	179,351	808	180,159
Other comprehensive income (loss) in 2018	-	-	-	-	-	(1,865)	(24,207)	(26,072)	8	(26,064)
Total comprehensive income (loss)	-	-	-	-	-	177,486	(24,207)	153,279	816	154,095
Increase in non-controlling interests	-	-	-	-	-	-	-	-	181	181
Balance as of December 31, 2018	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$82,686	\$355,516	\$(126,549)	\$3,522,774	\$8,396	\$3,531,170
Balance as of January 1, 2019	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$82,686	\$355,516	\$(126,549)	\$3,522,774	\$8,396	\$3,531,170
Appropriation and distribution of earnings	-	-	17,935	-	-	(17,935)	-	-	-	-
Legal reserve	-	-	-	-	43,863	(43,863)	-	-	-	-
Special reserve	-	-	-	-	-	(57,030)	-	(57,030)	-	(57,030)
Cash dividends to shareholders	-	-	-	-	-	4,549	-	4,549	811	5,360
Net income in 2019	-	-	-	-	-	(514)	(66,142)	(66,656)	(27)	(66,683)
Other comprehensive income (loss) in 2019	-	-	-	-	-	4,035	(66,142)	(62,107)	784	(61,323)
Total comprehensive income (loss)	-	-	-	-	-	\$240,723	\$(192,691)	\$3,403,637	\$9,180	\$3,412,817
Balance as of December 31, 2019	\$1,140,598	\$1,648,711	\$439,747	\$126,549	\$126,549	\$240,723	\$(192,691)	\$3,403,637	\$9,180	\$3,412,817

YOUNG OPTICS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(In thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$4,942	\$243,935	Proceeds from disposal of property, plant and equipment	27	1,593
Adjustments for:			Acquisition of property, plant and equipment	(500,114)	(383,962)
Profit or loss items :			Acquisition of intangible assets	(16,448)	(9,025)
Expected credit losses	16	-	Decrease in refundable deposits	2,344	3,311
Depreciation	301,999	230,394	Decrease in other current financial assets	1,167	-
Amortization	7,978	8,475	Increase in other non-current financial assets	(13)	(12)
Interest expense	25,394	11,609	Decrease (Increase) in other non-current assets, others	13,886	(21,342)
Interest income	(28,903)	(40,897)	Net cash used in investing activities	(499,151)	(409,437)
Loss on disposal of property, plant and equipment	751	196			
Transfer of property, plant and equipment to expense	144	34	Cash flows from financing activities :		
Gain on lease modification	(34)	-	Increase in short-term loans	342,995	124,881
Changes in operating assets and liabilities:			Decrease in long-term loans (include current portion of long-term loans)	(268,025)	(46,667)
Notes receivable	(10,681)	(7,435)	Repayment of the principal portion of lease liabilities	(41,141)	-
Accounts receivable	(111,713)	(241,696)	Increase (decrease) in guarantee deposits	(137)	1,377
Accounts receivable-related parties	24,090	21,891	Cash dividends	(57,030)	-
Other receivables	(10,074)	(3,589)	Increase in non-controlling interests	-	181
Other receivables-related parties	(146)	-	Net cash (used in) provided by financing activities	(23,338)	79,772
Inventories	302,620	(107,348)			
Prepayments	(3,224)	4,387	Effect of exchange rate changes on cash and cash equivalents	(43,064)	(29,298)
Other current assets-others	21,353	(12,235)			
Contract liabilities-current	2,160	19,182	Net decrease in cash and cash equivalents	(20,313)	(251,342)
Accounts payable	108,441	(98,734)	Cash and cash equivalents at beginning of the period	1,286,968	1,538,310
Other payables	(63,157)	116,185	Cash and cash equivalents at end of the period	\$1,266,655	\$1,286,968
Other payables-related parties	(447)	(9,574)			
Provisions-current	2,488	6,694			
Other current liabilities-others	(6,741)	10,075			
Net defined benefit assets-noncurrent	(2,570)	(2,574)			
Cash generated from operations	564,686	148,975			
Interest received	28,525	42,715			
Interest paid	(25,308)	(11,626)			
Income tax paid	(22,663)	(72,443)			
Net cash provided by operating activities	545,240	107,621			

Young Optics Inc.
2019 Earnings Distribution Proposal

Unit : NTD

Items	Amount	
	Subtotal	Total
Undistributed Earnings at beginning of period		236,688,579
Less: Re-measurement of Defined Obligations - 2019		514,400
Sub-total		236,174,179
Net Profit of 2019	4,549,555	
Subtract : Appropriated for Legal Reserve	454,955	
Subtract : Appropriated for Special Reserve	66,142,567	
Earnings of 2019 Available for Distribution		(62,047,967)
Earnings Available for Distribution (Cumulative)		174,126,212
Undistributed Earnings at the End of Period		174,126,212

Chairman: Jing-Zhou, Huang

President: Claude Shyu

Accountant: Cynthia Chang

Young Optics Inc.
Rules and Procedures of Shareholders' Meeting

- Article 1 Shareholders' Meeting of this Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures, unless the Company Act, Rules Governing the Conduct of Shareholders Meetings by Public Companies and the Articles of Incorporation of this Company provides otherwise.
- Article 2 The company shall provide a sign-in book allowing attending shareholders to sign in or require attending shareholders to submit attendance cards in lieu of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the sign-in book or the attendance cards submitted by the shareholders.
- Article 3 Attendance and voting at shareholders' meeting shall be determined based on the number of shares.
- Article 4 The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
A shareholder who exercised his voting right in writing or by way of electronic transmission shall be deemed to have attended the shareholders' meeting in person but shall be deemed to have waived his voting right in respect of any extemporaneous motions and amendments to the original proposals at the shareholders' meeting.
- Article 5 The Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Chairman shall appoint a director to serve on his behalf. If the Chairman has not appointed a representative, the directors shall nominate among themselves to preside over the Meeting.
If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the Chairman to preside at the Meeting.
- Article 6 The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or arm badges.
- Article 7 The process of the Meeting shall be audio recorded or videotaped in its entirety and these tapes shall be preserved for at least one year. However, the said tapes shall be preserved until the conclusion of the lawsuit if a shareholder initiates a lawsuit in accordance with Article 189 of the Company Act.
- Article 8 Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If

after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act.

Article 9 The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

In the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.

Article 10 When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

Article 11 Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times and each speech time may not exceed five minutes. In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the Chairman may stop the speech of such shareholder.

Article 12 If a legal-entity shareholder has appointed two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

Article 13 After the speech of a shareholder, the Chairman may respond himself/herself or appoint an appropriate person to respond.

- Article 14 The Chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
In voting, the resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
- Article 15 The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
- Article 16 During the Meeting, the chairman may, at his discretion, set time for intermission.
- Article 17 Except otherwise specified in the Company Act or the Articles of Incorporation of this Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting.
- Article 18 If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
- Article 19 The Chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear arm badges marked "Disciplinary Officers" for identification purpose.
- Article 20 Any matter not provided in these Rules and Procedures shall be handled in accordance with the Company Act, the Articles of Incorporation, relevant laws and regulations.
- Article 21 These Rules and Procedures and any revision thereof shall become effective after approval at the shareholders' meeting.

**Young Optics Inc.
Articles of Incorporation**

Chapter I : General Provisions

- Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Act of the Republics of China, and its name shall be 揚明光學股份有限公司 in the Chinese language, and Young Optics Inc. in the English language.
- Article 2 The scope of business of the Corporation shall be as follows :
- A. CC01080 Electronic Parts and Components Manufacturing
 - B. CE01030 Photographic and Optical Equipment Manufacturing
 - C. I599990 Other Designing
 - D. F401010 International Trade
- Research, development, design, manufacturing, and selling of the following products:
- a. Optical components for Optical Engine : Color Wheel, Integration Rod, Projection Lens, Polarization Beam Splitter & X-Prism.
 - b. Light Engine: DLP Optical Engine, LCOS Optical Engine.
 - c. Optical Components: Glass Lenses, Plastic Lenses, Reflective Mirror, Filter, Prism.
 - d. Optical systems or sub-system for Image Display and Image Capture.
 - e. Optical Parts, Optical Modules, Instruments and System Products for Image Display and Image Capture.
 - f. Optical Parts and Module for Light Emitting.
 - g. Providing the design development and consulting services for the above mentioned products.
 - h. Import and export business of the above-mentioned items.
- Article 3 Upon consent of the Board of Directors, the Corporation may provide endorsement and guarantee and act as a guarantor in accordance with its operational needs. The Procedures for Endorsement and Guarantee shall be enacted separately.
- Article 4 The Corporation may invest in another company for operational needs, the total amount of its investments may exceed 40 percent of the total paid-in capital, and the Corporation authorizes the Board of Directors to execute.
- Article 5 The Corporation shall have its head office in Hsinchu Science-Based Industrial Park, and if necessary, may set up branches or business offices within and without the territory of the country upon a resolution of its Board of Directors and approval from the competent government authority.
- Article 6 Public announcement of the Corporation shall be made in accordance with the Company Act and other relevant rules and regulations.

Chapter II : Shares

Article 7 The total Capital Stock of the Corporation shall be in the amount of 1,600,000,000 New Taiwan Dollars, divided into 160,000,000 shares, at 10 New Taiwan Dollars each. Board of Directors is authorized to issue the unissued shares in installments.

The cancellation of the public offer shall be subject to the approval of the resolution passed on the shareholders meeting after being reviewed by the Board of Directors.

In the event that the Company intends to issue employee warrants or transfer the bought-back shares to employees whose exercise price or transfer price is lower than the limit of the Law, a resolution at a shareholders' meeting shall be adopted.

Article 8 The Corporation may issue shares without printing share certificate(s), however, the shares shall be registered in centralized securities depository enterprises.

Article 9 The Corporation shall handle its stock affairs for shareholders in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and regulations of competent authorities.

Article 10 Registration for transfer of shares shall all be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

The period mentioned in the previous clause is calculated from the meeting date of the base date.

Chapter III : Shareholders' Meeting

Article 11 Shareholders' meetings of the Corporation shall be of two types, namely regular meetings and special meetings. Regular meetings shall be convened at least once a year, by the Board of Directors, within six (6) months after the close of each fiscal year, excluding those due reasons that have been approved by competent authorities. Special meetings shall be convened in accordance with the relevant laws whenever it is necessary.

Except as provided in the Company Act, shareholders' meetings shall be convened by the Board of Directors.

Article 12 In case a shareholder is unable to attend a shareholders' meeting. The process shall be in accordance with the article 177 of the Company Act and the provisions of "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies".

- Article 13 The Chairman of the Board of Directors shall internally preside the shareholders' meeting. In his absent, the Vice Chairman shall preside the meeting. In case there is no Vice Chairman, or the Vice Chairman is also absent, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves an acting Chairman of the Board of Directors.
- Article 14 Unless limited stock or no voting right stock specified in Paragraph 2, Article 179 of the Company Act, each share of stock shall be entitled to one vote.
- Article 15 Except as provided in the Company Act and regulations, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. Shareholders may also vote via an electronic voting system, and those who do so shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.
- Article 16 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all shareholders of the Corporation within twenty (20) days after the close of the meeting.
- The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Corporation.
- The attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Corporation for a minimum period of at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the minutes of the shareholders' meeting involved shall be kept by the Corporation until the legal proceedings of the foregoing lawsuit have been concluded.

Chapter IV : Directors

- Article 17 The Corporation shall have five (5) to seven (7) directors to be elected at the shareholders' meeting from persons with disposing capacity to serve a term of three years and may be re-elected. The Board of Directors is authorized to approve the number of directors.

Where re-election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors

shall be deemed discharged in advance.

All directors shall be elected by adopting the candidates nomination system and procedures as specified in Article 192-1 of the Company Act.

Article 17-1 The Company's audit committee is formed by all independent directors and one of whom shall serve as the convener. Effective from the establish date of the audit committee, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the relevant regulations.

Article 17-2 Compensation of Directors and Supervisors of the Corporation shall be determined through discussion of the Board of directors by referring to the compensation levels of the industry inside and outside this country.

Article 18 In the case that vacancies on the Board of Directors exceed one third of the total number of the Directors, then the Board of Directors shall convene, within sixty (60) days, a shareholders' meeting to elect succeeding members to fill such vacancies. The new Directors shall serve the remaining term of the predecessors.

Article 19 In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. However, the competent authority may, ex officio, order the Corporation to elect new directors within a given time limit; and if no re-election is effected after expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.

Article 20 The Board of Directors shall be organized by directors. The Chairman of the Board shall be elected by majority of directors present at a meeting attended by more than two thirds of directors. The directors may also elect a Vice Chairman of the Board whenever they may deem necessary to carry out the Corporation's activities.

The Chairman of the Board shall carry out all of affairs according to the laws, the Articles of Incorporation, and the resolutions of shareholders' meetings and directors' meetings and act on behalf of the Corporation.

Article 21 The operation guidelines and other important matters shall be subject to the resolution of directors' meetings. Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, except for the first meeting of each term of the Board of Directors which shall be convened according to Article 203 of the Company Act.

In case the Chairman of the Board of Directors is absent, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is also absent, the Chairman of the Board of Directors shall designate one of the Directors

to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves.

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than seven (7) days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The notice set forth in the preceding Paragraph may be affected by means of written, fax or electronic transmission.

Article 22 Except as otherwise provided in the Company Act or this Articles of Incorporation, any resolution of a Board of Directors' meeting shall be adopted at a meeting which at least general majority of the directors attend and at which meeting at least a majority of the entire directors vote in favor of such resolution.

A Director may, by written authorization, appoint another director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no director may act as proxy for more than one other director.

If the directors' meeting is conducted in a manner of digital videoconference, the directors who participate in such conference via digital video shall be deemed as present in person.

Article 23 Resolutions adopted at the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all directors within twenty (20) days after the close of the meeting.

The minutes of the Board of Directors shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Corporation. The attendance list is a part of the minutes and shall be kept persistently throughout the life of the Corporation.

The preparation and distribution of the minutes of the Board of Directors as required in the preceding Paragraph may be affected by means of electronic transmission.

Chapter V : Managers

Article 24 The Corporation may have managers, whose appointments, discharge and remunerations shall be subject to provisions of the Company Act as well as related regulations.

Chapter VI : Accounting

Article 25 After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, audited by the audit committee within thirty (30) days prior to the shareholders' meeting:

- (1) Business Report;
- (2) Financial Statements;
- (3) Proposals of Distribution of Earnings or Make-Up of Loss.

Article 26 If the Company is profitable, it shall set at least 10% as employee compensation. However, if the Company has accumulated losses, it shall be deducted at first. Employee compensation shall be in shares or cash, with recipients being the payroll employees of the Company or the subsidiaries with certain specific requirements.

Article 27 When allocating the net profits (if any) for each fiscal year, the Corporation shall first pay taxes and dues, offset its losses in previous years, and set aside a legal capital reserve at ten percent (10%) of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside or rotate special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance left over added the unallocated surplus from the prior year shall be the shareholder's dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at the shareholders' meeting.

The Corporation's dividends policy is ordered by the Company Act and the Articles of Incorporation and decided according to the Corporation's capital and financial structure, operation situation, profits and the characters of the industry and business cycle. Distributions shall be made in cash dividends or in stock dividends. However, as the Corporation is engaged in mature industry but there is great growth and development potential for the application market of new optical products, the Corporation shall, in consideration of the financial, business and administrative needs, distribute cash dividends that are not less than ten percent (10%) of the total cash and share dividends issued in the year (if any).

In case there is no profit for distribution in a certain year, or considering the financial, business or operational factors, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

Article 28 Deleted

Chapter VII : Supplementary Provisions

Article 29 The organization of the Corporation and the detailed procedures of business operation shall be determined otherwise.

Article 30 In regard to all matters not provided for in these Articles of Incorporation, the

Company Act and other Laws shall govern.

Article 31 These Article of Incorporation were enacted on January 2, 2002, and the first amendment was approved by the shareholders' meeting on October 6, 2003, the second amendment on April 12, 2005, the third amendment on April 12, 2005, the fourth amendment on April 28, 2006, the fifth amendment on June 11, 2007, the sixth amendment on June 11, 2008, the seventh amendment on June 16, 2009, the eighth amendment on June 18, 2010, the nine amendment on June 13, 2012, the tenth amendment on June 14, 2016, the eleventh amendment on June 13, 2017.

Shareholding of all Directors

Title	Name	Number of shares (2020.04.14)	Shareholding ratio
Chairman	Jing-Zhou, Huang	0	0%
Director	Coretronic Corp. legal representative : Ann Wu	40,951,586	35.90%
Director	Tsen Ming Investment Corp. legal representative : Jeffrey Hsieh	1,698,886	1.49%
Director	Chung Tsen Investment Corp. legal representative : Cing-Si, Chung	2,596,317	2.28%
Independent Director	Han-Ping, Shieh	0	0%
Independent Director	Yong-Pei, Hong	0	0%
Independent Director	Hsiang-Hsun, Wu	0	0%
Number of shares held by all directors		45,246,789	39.67%

1. The total paid-in capital stock of the Company shall be in the amount of NT\$1,140,597,850 divided into 114,059,785 shares at par value of NT\$10.0 each.
2. According to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Share Ownership Ratios of Directors and Supervisors at Public Companies, since three independent directors of the Company had been elected, the minimum number of shares that might be held by all directors shall be decreased by 20 percent. The minimum legal number of shares that may be held by all directors is 8,000,000 shares.
3. The minimum legal number of shares that should be held by Supervisors of the Company is not applicable since the Audit Committee is set up with three independent directors instead of Supervisors.