

Stock Code: 3504
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# **YOUNG**Optics

## **Young Optics Inc.**

### **Handbook for the 2022 Annual General Meeting of Shareholders (Translation)**

**Meeting Date: June 17, 2022**

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)  
Shareholders meeting will be held by means of physical shareholders meeting

## Table of Contents

	<u>Page</u>
I. Meeting Procedure -----	2
II. Meeting Agenda -----	3
1. Company Reports -----	4
2. Matters for Ratification-----	4
3. Matters for Discussion -----	5
4. Questions and Motions -----	6
III. Attachments	
1. 2021 Annual Business Report -----	7
2. 2021 Audit Committee’s Report -----	9
3. Independent Auditors’ Reports and Financial Statements -----	10
4. 2021 Earnings Distribution Proposal -----	28
5. Rules and Procedures of Shareholder Meeting-----	29
6. Rules for Director Elections-----	33
7. Regulations Governing the Acquisition and Disposal of Assets-----	35
IV. Appendices	
1. Articles of Incorporation -----	39
2. Rules and Procedures of Shareholder Meeting-----	46
3. Rules for Director Elections-----	49
4. Shareholding of All Directors-----	51

## **Young Optics Inc.**

### **Procedure for the 2022 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 17 (Friday), 2022

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

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

Shareholders meeting will be held by means of physical shareholders meeting

### I. Call the Meeting to Order

### II. Chairman Remarks

### III. Company Reports

1. 2021 Annual Business Report.
2. 2021 Audit Committee's Report.
3. 2021 Employee Bonus Apportion

### IV. Matters for Ratification

1. Ratification of 2021 Annual Business Reports and Financial Statements.
2. Ratification of the proposal for the distribution of 2021 earnings.

### V. Matters for Discussion

1. Proposal of Release the Directors from Participation in Competitive Business.
2. To formulate the Company's 「 Rules of Procedure for Shareholders Meetings 」
3. To formulate the Company's 「 Rules of Election of Directors 」
4. The Amendments to the " Regulations Governing the Acquisition and Disposal of Assets "

### VI. Questions and Motions

### VII. Adjournment

## **Company Reports**

1. 2021 Annual Business Report.

2021 Annual Business Report is attached as Attachment no. 1 on page 7~8 of this handbook.

2. 2021 Audit Committee's Report.

The Audit Committee's Report on 2021 Financial Statements is attached as Attachment no. 2 on page 9 of this handbook.

3. 2021 Employee Bonus Apportion.

Per the Company Act and Articles of Incorporation, The Company should apportion no less than 10% of earnings as employee bonus if profit from operation in the year. The Board of Directors of the Company approved to distribute, in cash, NT\$6,884,011 as 2021 employee' bonus.

## **Matters for Ratification**

(Proposed by the Board of Directors)

1. Ratification of 2021 Annual Business Reports and Financial Statements.

- (1) The Company's 2021 Financial Statements have been audited by Ernst & Young.
- (2) Please refer to Attachment no. 1 on page 7~8 for 2021 Annual Business Reports and Attachment no. 3 for Audited Financial Statements from page 10 ~ 27 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 2021 Earnings.

- (1) This surplus distribution is based on the distribution of Earnings of 2021 Available for Distribution. Since there is no surplus available for distribution after the Legal Reserve and Special Reserve are set aside according to the law, no dividend will be distributed to shareholders.
- (2) The 2021 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 28.
- (3) The proposal is submitted for ratification.

Resolution:

## Matters for Discussion

(Proposed by the Board of Directors)

1. Proposal of Release 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 the competitive business of the Company. The details in the list below.

Title	Name	Prohibitions for Competitive Business to be Released
Director	Coretronic Corporation	Director, Chung Tsen Investment Corp. Director, Coretronic Investment Limited
Director	Coretronic Corporation Legal Representative: Sarah Lin	Director, Tsen Ming Investment Corp. RAYS Optics Inc.
Director	Coretronic Corporation Legal Representative: Sara Lin	Chairman, Coretronic (Shanghai) Co., Ltd Chairman, YLG Limited

(3) Please resolve.

Resolution:

(Proposed by the Board of Directors)

2. To formulate the Company's 「 Rules of Procedure for Shareholders Meetings 」

- (1) In accordance with the Sample Template for Rules of Procedure for Shareholders Meetings promulgated by the TWSE and the Company's actual business practice, it is proposed to re-establish the "Rules of Procedures for Shareholders Meetings" of the Company, and the original "Rules of Procedures for Shareholders Meetings" shall be abolished.
- (2) Please refer to Appendix 2 for the original "Rules of Procedure of Shareholders Meetings" and the re-establish the "Rules of Procedures for Shareholders Meetings" of the Company is attached as Attachment no. 5 on page 29 ~ 32 of this handbook.
- (3) Please resolve.

Resolution:

(Proposed by the Board of Directors)

3. To formulate the Company's 「 Rules of Election of Directors 」

- (1) In accordance with the Sample Template for Rules Governing Election of Directors promulgated by the TWSE and the Company's actual business practice, it is proposed to re-establish the " Rules Governing Election of Directors " of the Company, and the original " Rules Governing Election of Directors " shall be abolished.
- (2) Please refer to Appendix 3 for the original " Rules Governing Election of Directors " and the re-establish the " Rules Governing Election of Directors " of the Company is attached as Attachment no. 6 on page 33 ~ 34 of this handbook.
- (3) Please resolve.

Resolution:

4. The Amendments to the” Regulations Governing the Acquisition and Disposal of Assets”

(1)Amendments per the Order No. Financial-Supervisory-Securities-Corporate-1110380465 of the Financial Supervisory Commission dated 28 January, 2022.

(2)The comparison table of amendments to the Regulations Governing the Acquisition and Disposal of Assets attached as Attachment 7. on Page 35 ~ 38.

(3)Please resolve.

Resolution:

## **Questions and Motions**

## **Adjournment**

## **Young Optics Inc. 2021 Annual Business Report**

For the fiscal year of 2021, Young Optics Inc. has reported consolidated sales revenue of NT\$4,563 million. Gross profit was reported at NT\$785 million with gross profit margin of 17.2%. Net operating profit was reported at NT\$27.3 million with net income of NT\$26.97 million. Net income attributable to Shareholders of the parent NT\$26.36 million. The basic EPS was NT\$0.23 per common share.

In the year of 2021, the company has significant progress in product mix adjustment and customer development. However, due to the shortage of main key parts supply and customer materials, the consolidated sales revenue was reported at NT\$4,563 million, representing a 17% increase as compared to the same period in 2020.

Pico Optical Module sales decreased by 5% compared with the previous year; Optical Component increased by 60% due to the growth of optical components and Emerging Applications. Image Optical increased by 18% due to the increase in demand for video conferencing and smart home lens; 3D Printer benefited from the growth in demand from dentist market and increased by 60% over the previous year, and automobiles lens increased by 50% year-on-year; other products under the impact of shipment decrease in video wall engine, resulting in a 23% year-on-year decline in sales revenue.

In terms of research and innovation, Young Optics Inc. has shown the following achievements in 2021 through the teamwork and collaboration of R&D Department:

1. Successfully Developed Aspherical and freeform lens bonding
2. Successfully Developed coating technology to withstand high temperatures and high humidity
3. Successfully Developed Head-lamp and Dynamic-ground-projection device with a variety of FOV and TR
4. Successfully Developed UV light engine for PCB direct imaging exposure machine
5. Successfully Developed High resolution and high power output UV light engine for 3D printer

Looking into 2022, Young Optics Inc. will aim to implementing the following strategies:

- (1) To develop the products applied for clients in virtual reality (VR), augmented reality (AR) Optical Components, automobiles and 3D-Printing 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 to ensure a stable supply for customers.
- (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: Sarah Lin

President: Claude Shyu

Accountant: Cynthia Chang

## **Audit Committee's Report**

To: 2022 General Annual Meeting of Shareholders of Young Optics Inc.

The Board of Directors of the Company has delivered the 2021 business reports, the financial statements and the proposal 2021 earnings distribution. The aforesaid 2021 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 : Hsiang-Hsun Wu

Date: April 25, 2022

## 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, and its parent company only financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 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, 2021, the Company's net inventory amounted to NT\$415,053 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 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 parent company only financial statements.

### Revenue recognition

The Company recognized the revenue amounted to NT\$3,903,743 thousand for the year ended December 31, 2021. Main source of revenue comes from projection products and imaging-related products sales. 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 2021 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 11, 2022

### **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, 2021 and December 31, 2020

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2021	%	December 31, 2020	%	LIABILITIES AND EQUITY	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					<b>Current liabilities</b>				
Cash and cash equivalents	\$426,426	7	\$215,841	4	Short-term loans	\$130,000	2	\$239,744	4
Accounts receivable, net	479,095	8	379,110	7	Contract liabilities-current	30,339	1	36,105	1
Accounts receivable-related parties, net	340,359	6	181,245	3	Accounts payable	214,126	4	223,153	4
Other receivables	17,489	-	10,108	-	Accounts payable-related parties	549,490	9	719,393	13
Other receivables-related parties	75,557	2	317,407	5	Other payables	328,421	6	252,461	4
Current tax assets	-	-	106	-	Other payables-related parties	2,491	-	3,442	-
Inventories, net	415,053	7	217,099	4	Current tax liabilities	6,162	-	-	-
Prepayments	14,272	-	12,234	-	Provisions-current	18,998	-	12,594	-
Other current assets-others	66,928	1	47,192	1	Lease liabilities, non-related parties	15,088	-	15,558	-
<b>Total current assets</b>	<b>1,835,179</b>	<b>31</b>	<b>1,380,342</b>	<b>24</b>	Long-term liabilities - current portion	314,311	5	115,501	2
<b>Non-current assets</b>					Other current liabilities-others	15,860	-	13,541	-
Investments accounted for using the equity method	1,790,926	30	1,853,980	33	<b>Total current liabilities</b>	<b>1,625,286</b>	<b>27</b>	<b>1,631,492</b>	<b>28</b>
Property, plant and equipment	1,693,117	28	1,804,423	32	<b>Non-current liabilities</b>				
Right-of-use assets	315,688	5	331,721	6	Long-term loans	828,515	14	542,926	10
Investment property, net	152,301	3	160,353	2	Deferred tax liabilities	26,535	1	21,784	-
Intangible assets	94,889	2	87,677	2	Lease liabilities, non-related parties-noncurrent	309,636	5	322,465	6
Deferred tax assets	33,449	1	35,213	1	Guarantee deposits	5,147	-	4,657	-
Refundable deposits	1,935	-	4,659	-	<b>Total non-current liabilities</b>	<b>1,169,833</b>	<b>20</b>	<b>891,832</b>	<b>16</b>
Net defined benefit assets-noncurrent	18,384	-	15,134	-	<b>Total liabilities</b>	<b>2,795,119</b>	<b>47</b>	<b>2,523,324</b>	<b>44</b>
Other non-current financial assets	21,868	-	21,858	-	<b>Equity</b>				
Other non-current assets, others	12,196	-	1,253	-	<b>Capital</b>				
<b>Total non-current assets</b>	<b>4,134,753</b>	<b>69</b>	<b>4,316,271</b>	<b>76</b>	Common stock	1,140,598	19	1,140,598	20
					<b>Capital surplus</b>	1,648,711	28	1,648,711	29
					<b>Retained earnings</b>				
					Legal reserve	383,980	6	440,202	8
					Special reserve	187,523	4	192,691	3
					Undistributed earnings	27,101	-	(61,390)	(1)
					<b>Total retained earnings</b>	<b>598,604</b>	<b>10</b>	<b>571,503</b>	<b>10</b>
					<b>Other equity</b>	<b>(213,100)</b>	<b>(4)</b>	<b>(187,523)</b>	<b>(3)</b>
					<b>Total equity</b>	<b>3,174,813</b>	<b>53</b>	<b>3,173,289</b>	<b>56</b>
<b>Total assets</b>	<b>\$5,969,932</b>	<b>100</b>	<b>\$5,696,613</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$5,969,932</b>	<b>100</b>	<b>\$5,696,613</b>	<b>100</b>



**YOUNG OPTICS INC.****PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME****For the years ended December 31, 2021 and 2020**

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

Description	2021	%	2020	%
<b>Net sales</b>	\$3,903,743	100	\$3,467,730	100
<b>Operating costs</b>	(3,187,833)	(82)	(2,857,930)	(82)
<b>Gross profit</b>	715,910	18	609,800	18
Unrealized gross profit on sales	(15,685)	-	(4,799)	-
Realized gross profit on sales	4,799	-	11,375	-
<b>Gross profit, net</b>	705,024	18	616,376	18
<b>Operating expenses</b>				
Sales and marketing expenses	(102,091)	(3)	(91,070)	(3)
General and administrative expenses	(167,007)	(4)	(145,936)	(4)
Research and development expenses	(379,782)	(10)	(547,716)	(16)
Total operating expenses	(648,880)	(17)	(784,722)	(23)
<b>Operating income (loss)</b>	56,144	1	(168,346)	(5)
<b>Non-operating income and expenses</b>				
Interest income	614	-	2,124	-
Other income	41,988	1	42,162	1
Other gains and losses	(17,865)	-	(30,212)	(1)
Finance costs	(14,360)	-	(16,717)	-
Share of loss of subsidiaries, associates and joint ventures	(27,512)	(1)	(66,725)	(2)
Total non-operating income and expenses	(17,135)	-	(69,368)	(2)
<b>Net income (loss) before income tax</b>	39,009	1	(237,714)	(7)
<b>Income tax (expenses) benefit</b>	(12,648)	-	2,151	-
<b>Net income (loss)</b>	26,361	1	(235,563)	(7)
<b>Other comprehensive (loss) income</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	925	-	59	-
Income tax related to items that will not be reclassified subsequently	(185)	-	(12)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(25,577)	(1)	5,168	-
Income tax related to items that may be reclassified subsequently	-	-	-	-
<b>Other comprehensive (loss) income, net of tax</b>	(24,837)	(1)	5,215	-
<b>Total comprehensive income (loss)</b>	\$1,524	-	\$(230,348)	(7)
Basic Earnings Per Share (in New Taiwan Dollars)	\$0.23		\$(2.07)	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$0.23		\$(2.07)	

## YOUNG OPTICS INC.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(In thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent						
	Common stock	Capital surplus	Retained earnings			Other equity	Total
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2020	\$1,140,598	\$1,648,711	\$439,747	\$126,549	\$240,723	\$(192,691)	\$3,403,637
Appropriation and distribution of earnings							
Legal reserve	-	-	455	-	(455)	-	-
Special reserve	-	-	-	66,142	(66,142)	-	-
Net loss in 2020	-	-	-	-	(235,563)	-	(235,563)
Other comprehensive income in 2020	-	-	-	-	47	5,168	5,215
Total comprehensive (loss) income	-	-	-	-	(235,516)	5,168	(230,348)
Balance as of December 31, 2020	\$1,140,598	\$1,648,711	\$440,202	\$192,691	\$(61,390)	\$(187,523)	\$3,173,289
Balance as of January 1, 2021	\$1,140,598	\$1,648,711	\$440,202	\$192,691	\$(61,390)	\$(187,523)	\$3,173,289
Appropriation and distribution of earnings							
Legal reserve used to offset accumulated deficits	-	-	(56,222)	-	56,222	-	-
Reversal of special reserve	-	-	-	(5,168)	5,168	-	-
Net income in 2021	-	-	-	-	26,361	-	26,361
Other comprehensive income (loss) in 2021	-	-	-	-	740	(25,577)	(24,837)
Total comprehensive income (loss)	-	-	-	-	27,101	(25,577)	1,524
Balance as of December 31, 2021	\$1,140,598	\$1,648,711	\$383,980	\$187,523	\$27,101	\$(213,100)	\$3,174,813

## YOUNG OPTICS INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(In thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Net income (loss) before tax	\$39,009	\$(237,714)	Proceeds from disposal of investments accounted for using the equity method	-	18
Adjustments for:			Proceeds from disposal of property, plant and equipment	20	100
Profit or loss items :			Acquisition of property, plant and equipment	(99,782)	(183,361)
Expected credit (gain) loss	(4)	121	Acquisition of intangible assets	(23,243)	(47,926)
Depreciation	236,724	234,744	Decrease in refundable deposits	2,724	202
Amortization	15,179	8,848	Increase in other non-current financial assets	(10)	(10)
Interest expense	14,360	16,717	Increase in other non-current assets,others	(11,128)	(1,100)
Interest income	(614)	(2,124)	Net cash used in investing activities	<u>(131,419)</u>	<u>(232,077)</u>
Gain on disposal of investments	-	(23)			
Gain on lease modification	(8)	-	<b>Cash flows from financing activities :</b>		
Impairment loss on non-financial assets	-	5,880	Decrease in short-term loans	(109,744)	(564,256)
Share of loss of subsidiaries, associates and joint ventures	27,512	66,725	Increase in long-term loans (include current portion of long-term loans)	484,399	474,994
Unrealized gross profit on sales	15,685	4,799	Repayment of the principal portion of lease liabilities	(15,370)	(15,790)
Realized gross profit on sales	(4,799)	(11,375)	Increase in guarantee deposits	490	50
Realized gain on disposal of intangible assets	(921)	(920)	Net cash provided by (used in) financing activities	<u>359,775</u>	<u>(105,002)</u>
Gain on disposal of property, plant and equipment	(10)	(100)			
Transfer of property, plant and equipment to expense	-	93	Net increase in cash and cash equivalents	210,585	2,785
Changes in operating assets and liabilities:			Cash and cash equivalents at beginning of the period	215,841	213,056
Notes receivable	-	600	Cash and cash equivalents at end of the period	<u>\$426,426</u>	<u>\$215,841</u>
Accounts receivable	(99,981)	399,838			
Accounts receivable-related parties	(159,114)	327,338			
Other receivables	(7,376)	6,321			
Other receivables-related parties	241,850	9,193			
Inventories	(197,954)	17,094			
Prepayments	(2,038)	3			
Other current assets-others	(19,736)	27,982			
Contract liabilities-current	(5,766)	5,590			
Accounts payable	(9,027)	(157,093)			
Accounts payable-related parties	(169,903)	(272,650)			
Other payables	78,053	(84,164)			
Other payables-related parties	(1,633)	(617)			
Provisions-current	6,404	(10,793)			
Other current liabilities-others	2,319	3,034			
Net defined benefit assets-noncurrent	(2,325)	(2,473)			
Cash generated from operations	<u>(4,114)</u>	<u>354,874</u>			
Interest received	609	2,137			
Interest paid	(14,216)	(16,834)			
Income tax paid	(50)	(313)			
Net cash (used in) provided by operating activities	<u>(17,771)</u>	<u>339,864</u>			

## **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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 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, 2021, the Group's net inventory amounted to NT\$870,333 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\$4,562,666 thousand for the year ended December 31, 2021. 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 only 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 2021 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, 2021 and 2020.

Ernst & Young, Taiwan

Taiwan, Republic of China

February 11, 2022

### **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.



English Translation of Consolidated Financial Statements Originally Issued in Chinese

**YOUNG OPTICS INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**December 31, 2021 and December 31, 2020**

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2021	%	December 31, 2020	%	LIABILITIES AND EQUITY	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					<b>Current liabilities</b>				
Cash and cash equivalents	\$1,326,254	23	\$1,335,720	25	Short-term loans	\$130,000	2	\$292,117	5
Current financial asset at fair value through profit or loss	1,093	-	7,533	-	Contract liabilities-current	37,866	1	38,721	1
Notes receivable, net	16,809	-	12,775	-	Notes payable	506	-	-	-
Accounts receivable, net	574,367	10	481,092	9	Accounts payable	420,192	7	435,181	8
Accounts receivable-related parties, net	272,783	5	88,387	2	Accounts payable-related parties	74,836	1	870	-
Other receivables	18,478	-	15,705	-	Other payables	472,117	8	381,526	7
Other receivables-related parties	-	-	49	-	Other payables-related parties	3,460	-	2,611	-
Current tax assets	12,076	-	6,882	-	Current tax liabilities	18,130	-	9,830	-
Inventories, net	870,333	15	487,109	9	Provisions-current	20,856	-	14,229	-
Prepayments	22,676	-	15,992	-	Lease liabilities, non-related parties	24,942	1	22,318	1
Other current financial assets	13	-	7,889	-	Lease liabilities, related parties	13,921	-	18,027	-
Other current assets-others	71,976	1	52,789	1	Long-term liabilities - current portion	316,446	6	116,728	2
<b>Total current assets</b>	<b>3,186,858</b>	<b>54</b>	<b>2,511,922</b>	<b>46</b>	Other current liabilities-others	17,130	-	15,951	-
					<b>Total current liabilities</b>	<b>1,550,402</b>	<b>26</b>	<b>1,348,109</b>	<b>24</b>
<b>Non-current assets</b>					<b>Non-current liabilities</b>				
Property, plant and equipment	2,038,093	34	2,226,151	40	Long-term loans	834,932	14	552,751	10
Right-of-use assets	359,083	6	429,409	8	Deferred tax liabilities	26,535	1	21,784	-
Investment property, net	152,301	3	160,353	3	Lease liabilities, non-related parties-noncurrent	337,344	6	352,080	7
Intangible assets	96,663	2	89,910	2	Lease liabilities, related parties-noncurrent	-	-	52,927	1
Deferred tax assets	41,985	1	43,749	1	Guarantee deposits	7,090	-	6,611	-
Refundable deposits	11,361	-	14,939	-	<b>Total non-current liabilities</b>	<b>1,205,901</b>	<b>21</b>	<b>986,153</b>	<b>18</b>
Net defined benefit assets-noncurrent	18,384	-	15,134	-	<b>Total liabilities</b>	<b>2,756,303</b>	<b>47</b>	<b>2,334,262</b>	<b>42</b>
Other non-current financial assets	21,868	-	21,858	-					
Other non-current assets, others	13,542	-	2,599	-	<b>Equity attributable to shareholders of the parent</b>				
<b>Total non-current assets</b>	<b>2,753,280</b>	<b>46</b>	<b>3,004,102</b>	<b>54</b>	<b>Capital</b>				
					Common stock	1,140,598	19	1,140,598	21
					<b>Capital surplus</b>	1,648,711	28	1,648,711	30
					<b>Retained earnings</b>				
					Legal reserve	383,980	7	440,202	8
					Special reserve	187,523	3	192,691	3
					Undistributed earnings	27,101	-	(61,390)	(1)
					<b>Total retained earnings</b>	<b>598,604</b>	<b>10</b>	<b>571,503</b>	<b>10</b>
					<b>Other equity</b>	<b>(213,100)</b>	<b>(4)</b>	<b>(187,523)</b>	<b>(3)</b>
					<b>Equity attributable to owners of the parent</b>	<b>3,174,813</b>	<b>53</b>	<b>3,173,289</b>	<b>58</b>
					<b>Non-controlling interests</b>	<b>9,022</b>	<b>-</b>	<b>8,473</b>	<b>-</b>
					<b>Total equity</b>	<b>3,183,835</b>	<b>53</b>	<b>3,181,762</b>	<b>58</b>
<b>Total assets</b>	<b>\$5,940,138</b>	<b>100</b>	<b>\$5,516,024</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$5,940,138</b>	<b>100</b>	<b>\$5,516,024</b>	<b>100</b>

**YOUNG OPTICS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the years ended December 31, 2021 and 2020**

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

Description	2021	%	2020	%
<b>Net sales</b>	\$4,562,666	100	\$3,905,582	100
<b>Operating costs</b>	(3,777,396)	(83)	(3,194,202)	(82)
<b>Gross profit</b>	785,270	17	711,380	18
<b>Operating expenses</b>				
Sales and marketing expenses	(148,286)	(3)	(137,082)	(3)
General and administrative expenses	(202,553)	(4)	(194,793)	(5)
Research and development expenses	(407,131)	(9)	(615,074)	(16)
Total operating expenses	(757,970)	(16)	(946,949)	(24)
<b>Operating income (loss)</b>	27,300	1	(235,569)	(6)
<b>Non-operating income and expenses</b>				
Interest income	15,471	-	25,909	1
Other income	47,549	1	54,448	1
Other gains and losses	(20,516)	-	(54,213)	(1)
Finance costs	(17,946)	-	(23,364)	(1)
Total non-operating income and expenses	24,558	1	2,780	-
<b>Net income (loss) before income tax</b>	51,858	2	(232,789)	(6)
<b>Income tax expense</b>	(24,884)	(1)	(3,427)	-
<b>Net income (loss)</b>	26,974	1	(236,216)	(6)
<b>Other comprehensive (loss) income</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	925	-	59	-
Income tax related to items that will not be reclassified subsequently	(185)	-	(12)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(25,641)	(1)	5,173	-
Income tax related to items that may be reclassified subsequently	-	-	-	-
<b>Other comprehensive (loss) income, net of tax</b>	(24,901)	(1)	5,220	-
<b>Total comprehensive income (loss)</b>	\$2,073	-	\$(230,996)	(6)
<b>Net income (loss) attributable to :</b>				
<b>Shareholders of the parent</b>	\$26,361		\$(235,563)	
<b>Non-controlling interests</b>	613		(653)	
	\$26,974		\$(236,216)	
<b>Total comprehensive income (loss) attributable to :</b>				
<b>Shareholders of the parent</b>	\$1,524		\$(230,348)	
<b>Non-controlling interests</b>	549		(648)	
	\$2,073		\$(230,996)	
Basic Earnings Per Share (in New Taiwan Dollars)	\$0.23		\$(2.07)	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$0.23		\$(2.07)	

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, 2021 and 2020**

(In thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent						Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity Exchange differences resulting from translating the financial statements of foreign operations			
			Legal reserve	Special reserve	Undistributed earnings				
Balance as of January 1, 2020	\$1,140,598	\$1,648,711	\$439,747	\$126,549	\$240,723	\$(192,691)	\$3,403,637	\$9,180	\$3,412,817
Appropriation and distribution of earnings									
Legal reserve	-	-	455	-	(455)	-	-	-	-
Special reserve	-	-	-	66,142	(66,142)	-	-	-	-
Net loss in 2020	-	-	-	-	(235,563)	-	(235,563)	(653)	(236,216)
Other comprehensive income in 2020	-	-	-	-	47	5,168	5,215	5	5,220
Total comprehensive (loss) income	-	-	-	-	(235,516)	5,168	(230,348)	(648)	(230,996)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(59)	(59)
Balance as of December 31, 2020	\$1,140,598	\$1,648,711	\$440,202	\$192,691	\$(61,390)	\$(187,523)	\$3,173,289	\$8,473	\$3,181,762
Balance as of January 1, 2021	\$1,140,598	\$1,648,711	\$440,202	\$192,691	\$(61,390)	\$(187,523)	\$3,173,289	\$8,473	\$3,181,762
Appropriation and distribution of earnings									
Legal reserve used to offset accumulated deficits	-	-	(56,222)	-	56,222	-	-	-	-
Reversal of special reserve	-	-	-	(5,168)	5,168	-	-	-	-
Net income in 2021	-	-	-	-	26,361	-	26,361	613	26,974
Other comprehensive income (loss) in 2021	-	-	-	-	740	(25,577)	(24,837)	(64)	(24,901)
Total comprehensive income (loss)	-	-	-	-	27,101	(25,577)	1,524	549	2,073
Balance as of December 31, 2021	\$1,140,598	\$1,648,711	\$383,980	\$187,523	\$27,101	\$(213,100)	\$3,174,813	\$9,022	\$3,183,835

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, 2021 and 2020**  
(In thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Net income (loss) before tax	\$51,858	\$(232,789)	Acquisition of financial assets at fair value through profit or loss	\$(130,578)	\$-
Adjustments for:			Proceeds from disposal of financial assets at fair value through profit or loss	129,648	-
Profit or loss items :			Acquisition of property, plant and equipment	(107,527)	(211,434)
Depreciation	333,450	333,359	Proceeds from disposal of property, plant and equipment	479	106
Amortization	15,611	9,344	Decrease in refundable deposits	3,578	11,297
Expected credit (gain) loss	(92)	209	Acquisition of intangible assets	(23,243)	(47,926)
Net gains on financial assets at fair value through profit or loss	(8,689)	(15,518)	Decrease (increase) in other current financial assets	7,822	(6,821)
Interest expense	17,946	23,364	Increase in other non-current financial assets	(10)	(10)
Interest income	(15,471)	(25,909)	(Increase) decrease in other non-current assets,others	(11,128)	422
Income on disposal of property, plant and equipment	(113)	(92)	Net cash used in investing activities	(130,959)	(254,366)
Transfer of property, plant and equipment to expense	-	93			
Gain on disposal of investments	-	(23)	<b>Cash flows from financing activities :</b>		
Gain on lease modification	(9)	-	Decrease in short-term loans	(162,117)	(534,649)
Impairment loss on non-financial assets	-	18,318	Increase in long-term loans (include current portion of long-term loans)	481,899	486,046
Changes in operating assets and liabilities:			Increase (decrease) in guarantee deposits	479	(141)
Current financial asset at fair value through profit or loss	15,061	8,036	Repayment of the principal portion of lease liabilities	(45,098)	(40,015)
Notes receivable	(4,034)	5,946	Net cash provided by (used in) financing activities	275,163	(88,759)
Accounts receivable	(93,183)	395,358			
Accounts receivable-related parties	(184,396)	16,192	Effect of exchange rate changes on cash and cash equivalents	(8,265)	25,008
Other receivables	(4,184)	15,964			
Other receivables-related parties	49	97	Net (decrease) increase in cash and cash equivalents	(9,466)	69,065
Inventories	(383,224)	84,152	Cash and cash equivalents at beginning of the period	1,335,720	1,266,655
Prepayments	(6,684)	1,711	Cash and cash equivalents at end of the period	\$1,326,254	\$1,335,720
Other current assets-others	(19,187)	32,291			
Contract liabilities-current	(855)	8,204			
Notes payable	506	-			
Accounts payable	(14,989)	(154,970)			
Accounts payable-related parties	73,966	870			
Other payables	92,004	(129,256)			
Other payables-related parties	167	(745)			
Provisions-current	6,627	(12,318)			
Other current liabilities-others	1,179	3,310			
Net defined benefit assets-noncurrent	(2,325)	(2,473)			
Cash generated from operations	(129,011)	382,725			
Interest received	16,882	25,600			
Interest paid	(17,828)	(23,463)			
Income tax (paid) refunded	(15,448)	2,320			
Net cash (used in) provided by operating activities	(145,405)	387,182			

Young Optics Inc.  
2021 Earnings Distribution Proposal

Unit : NTD

Items	Amount
Beginning of Unappropriated Retained Earnings	0
Add(Less)	
Re-measurement of Defined Benefit Obligations - 2021	740,000
Net Profit of 2021	26,360,737
Appropriated For Legal Reserve	(2,710,074)
Appropriated For Special Reserve	(24,390,663)
Earnings of 2021 Available for Distribution	0
End of Unappropriated Retained Earnings	0

Chairman: Sarah Lin

President: Claude Shyu

Accountant: Cynthia Chang

**Young Optics Inc.**  
**Rules and Procedures of Shareholders' Meeting**

Article 1 The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 2 The meeting of shareholders shall be held at the registered office of the Company or at a venue convenient for shareholders to attend and suitable for holding the meeting of shareholders. The starting time of the meeting may not be earlier than 9 a.m. or later than 3 p.m.

Article 3 The Company shall prepare an attendance book for shareholders present to sign in, or the shareholders present may hand in a sign-in card in lieu of signing on the attendance book. When a government agency or a juristic person acts as a shareholder, its representatives to attend the meeting of shareholders may not be limited to one person. When a juristic person is appointed to attend a meeting of shareholders by proxy, it may designate only one representative to attend the meeting.

Article 4 If the meeting of shareholders is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or unable to exercise his/her powers and authority for any cause, the chairman of the board shall designate one of the directors to act on his/her behalf. Where the chairman of the board does not make such a designation, the directors shall elect from among themselves one person to serve as the chairman.

If the meeting of shareholders is convened by any other person having the convening right other than the board of directors, the chairman shall be acted by such person having the convening right. If there are two or more persons having the convening right, one chairman of the meeting shall be elected from among themselves.

The Company may designate lawyers, certified public accountants or related personnel appointed by it to attend the meeting of shareholders.

Article 5 The Company shall conduct a continuously and uninterrupted audio and video recording of the procedures of shareholders' sign-in at the reception, the progress of the meeting, and voting and counting of votes, beginning from the time of accepting the sign-in of shareholders.

The audio-visual materials stated in the preceding Paragraph shall be kept for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the conclusion of the lawsuit.

Article 6 Attendance at a meeting of shareholders shall be calculated on the basis of number of shares. The number of shares in attendance is calculated in accordance with the number of shares specified on the attendance book or the sign-in cards handed in, plus the number of shares whose voting rights are exercised in writing or by electronic means.

At the scheduled meeting time, the chairman shall immediately call the meeting to order

and announce the relevant information, such as the number of non-voting rights and the number of shares present. However, when the attending shareholders do not represent more than half of the total issued shares, the chairman may announce the postponement of the meeting. The number of postponements shall be limited to twice, and the total postponement time may not exceed one hour in aggregate. After the second postponement, if the attending shareholders still represent less than one-third of the total issued shares, the chairman shall announce the meeting adjourned.

Article 7 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 8 An attending shareholder shall complete a speaker's slip stating the main points of the speech, shareholder account number (or attendance certificate number) and account name, and the sequence of speeches by shareholders shall be determined by the chairman.

An attending shareholder who has only submitted a speaker's slip but does not actually speak shall not be deemed to have spoken. If the contents of the speech are inconsistent with that stated on the speaker's slip, the contents of the speech shall prevail.

Without the consent of the chairman, each shareholder's speech on the same proposal shall not exceed twice, and each time may not exceed five minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the discussion topic, the chairman may stop his/her speech.

When an attending shareholder is speaking, other shareholders may not speak or interfere except with the consent of the chairman and the shareholder having the floor. The chairman shall stop any such violations.

When a juristic person shareholder designates two or more representatives to attend a meeting of shareholders, only one person may speak on the same proposal.

After an attending shareholder has spoken, the chairman may respond personally or designate relevant personnel to respond.

Article 9 Voting at a shareholders meeting shall be calculated based the number of shares.

Shareholders shall have one voting right per share, except when shares are restricted shares or have no voting rights stated in Paragraph 2, Article 179 of the Company Act.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 10 Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.



Article 11 The chairman may direct monitors or security guards to help maintain order in the venue of meeting.

If the venue of meeting is equipped with sound amplifying equipment, the chairman may stop the shareholder who does not use the equipment configured by the company to speak.

If a shareholder violates the rules of procedure and disobey the chairman's correction, obstructs the progress of the meeting and still disobeys despite being stopped, the chairman may direct the scrutineers or security guards to ask him/her to leave the venue of meeting.

Article 12 During the progress of the meeting, the chairman may announce an appropriate time of break at his/her discretion. In the event of force majeure, the chairman may rule to suspend the meeting temporarily and announce a time when the meeting will be resumed, depending on the circumstances.

Before concluding all the meeting discussions (including provisional motions) set on the agenda set by the meeting of shareholders, if the venue of meeting is no longer available for continued use at that time, the meeting of shareholders may adopt a resolution to find another venue to resume the meeting.

The meeting of shareholders may resolve to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 13 These Rules shall be implemented after a resolution is adopted at the meeting of shareholders, and the same shall apply when any amendment is made thereto.

**Young Optics Inc.  
Rules for Election of Directors**

- Article 1 Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.
- Article 2 The election of the Company's directors shall adopt cumulative voting system. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for electing a single candidate or may be split for electing multiple candidates.
- Article 3 The board of directors shall prepare separate ballots for directors in number identical to that of the directors to be elected, and the number of voting rights associated with each ballot shall be specified on the ballots. The ballots shall be distributed to the shareholders present at the meeting of shareholders. The recording of the name of a voter may be replaced by the attendance card number printed on the ballots.
- Article 4 The voting rights of independent directors and non-independent directors shall be separately calculated in accordance with number of directors stated in the Company's Articles of Incorporation.  
A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. If two or more candidates obtain the same number of votes, but the number of positions exceeds the required number, they shall draw lots to decide the winner. The chair shall conduct the drawing for the candidates who are absent.
- Article 5 Before the election begins, the chair shall appoint a number of monitors and ballot counters with shareholder status to perform various related duties. The ballot box shall be prepared by the Company and publicly opened and exhibited by the monitor before voting begins.
- Article 6 Ballots shall be invalid under any of the following circumstances:
1. The ballot used is not that prepared by the person having the convening right.
  2. A blank ballot is placed in the ballot box.
  3. The writing on the ballot is illegible and unrecognizable or is altered.
  4. The verification indicates that the name of the candidate entered on the ballot is inconsistent with that appeared on the list of director candidates.
  5. Other words are entered on the ballot in addition to entering the number of voting rights allotted.
- Article 7 Ballots shall be calculated on the spot after the voting, and the results of the balloting, the list of elected directors, shall be announced on the spot by the chair.  
The ballots for the election matters stated in the preceding Paragraph shall be properly kept in custody and for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the conclusion of the lawsuit.

Article 8 These Rules shall be implemented after a resolution is adopted at the meeting of shareholders, and the same shall apply when any amendment is made thereto.

**YOUNG OPTICS INC.**  
**Comparison Table for the Articles of Regulations**  
**Governing the Acquisition and Disposal of Assets**

Current Provisions	Proposed Amendments
<p>6.1.1 Appraisal procedures:</p> <p>1) (Omitted)</p> <p>2) Shall include the means of price determination and supporting reference materials.</p> <p>a).Acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <a href="#"><u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></a></p> <p>(Omitted).</p>	<p>6.1.1 Appraisal procedures:</p> <p>1) (Omitted)</p> <p>2) Shall include the means of price determination and supporting reference materials.</p> <p>a). Acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p> <p>(Omitted).</p>
<p>6.2.3Professional appraisers with appraisal reports or underwriter's opinions:</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1)~2) (Omitted)</p> <p>3)Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <a href="#"><u>perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u></a></p>	<p>6.2.3Professional appraisers with appraisal reports or underwriter's opinions:</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1)~2) (Omitted)</p> <p>3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(Omitted)</p>

Current Provisions	Proposed Amendments
<p><u>and</u> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (Omitted)</p>	
<p>6.3.2 The Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: 1)~7)(Omitted) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 6.7.1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount. With respect to the types of transactions listed below, when to be conducted between the Company and its parent , subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting: 1.Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2.Acquisition or disposal of real property right-of-use assets held for business use. (NEW)</p>	<p>6.3.2 The Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: 1)~7)(Omitted) With respect to the types of transactions listed below, when to be conducted between the Company and its parent, subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting: 1.Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2.Acquisition or disposal of real property right-of-use assets held for business use.  <u>The Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.</u> The calculation of the transaction amounts referred to in <u>paragraph 1 and</u> the preceding paragraph shall be made in accordance with Article 6.7.1 herein, and "within the preceding year" as used herein refers to the year preceding</p>

Current Provisions	Proposed Amendments
	<p>the date of occurrence of the current transaction. Items that have been approved by the supervisors, the board of directors and recognized <u>by the shareholders meeting</u> need not be counted toward the transaction amount</p>
<p>6.4.3 Appraisal Report or the Opinion</p> <p>The acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF</u></p>	<p>6.4.3 Appraisal Report or the Opinion</p> <p>The acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>
<p>6.7.1 (Omitted)</p> <p>1)~5) (Omitted)</p> <p>6)Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>a). Trading of domestic government bonds.</p> <p>b). Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p>	<p>6.7.1 (Omitted)</p> <p>1)~5) (Omitted)</p> <p>6)Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>a). Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>b). Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p>
<p>6.9 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1)~3) (Omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1)Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2)When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data</p>	<p>6.9 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1)~3) (Omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply <u>with the self-regulatory rules of the industry associations to which they belong and</u> with the following provisions:</p> <p>1)Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2)When <u>conducting</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data</p>

Current Provisions	Proposed Amendments
<p>collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3)They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4)They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and <u>accurate</u>, and that they have complied with applicable laws and regulations.</p> <p>(Omitted)</p>	<p>collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3)They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4)They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable, and that they have complied with applicable laws and regulations</p> <p>(Omitted)</p>

**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.

**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.**  
**Rules for Election of Directors**

Article 1 Unless otherwise provided in the Company Act or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.

Article 2 Election of directors of this Company shall be held at the shareholders' meeting. The election shall be on the basis of accumulation of votes. The names of voters may be represented by shareholders' numbers. Each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons.

Article 3 At the beginning of the election, the Chairman shall appoint several persons to be counting officer(s) and scrutineer(s). The scrutineer(s) shall be appointed from among the shareholders present.

Article 4 The ballot box used for voting shall be prepared by this Company and checked in public by the scrutineer(s) before voting.

Article 5 This Company shall prepare ballots and note the number of voting rights.

Article 6 All persons with disposing capacity may be elected as directors of the Company.

Qualifications, election and appointment of the independent directors shall be in line with the rule of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and based on the rule of "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

The election of independent directors is subject to the provisions of the Company Act in that a candidate nomination system shall be adopted.

According to the number of directors as designated by the Articles of Incorporation, the election of independent directors and non-independent directors shall take place together, and the number of votes of each shall be calculated separately; persons obtaining the most number of votes shall be elected and served as independent directors and non-independent directors accordingly. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

Article 7 If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number. If the candidate is a government agency or a legal

entity, the full name of the government agency or the legal entity (or the name of the government agency and its representative or the name of the legal entity and its representative) shall be filled in the column. If there are several representatives, each of the representatives' names shall be filled in.

Article 8 Ballots shall be deemed void under the following conditions:

- (1) Ballots not prepared by this Company;
- (2) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (3) Blank ballots not completed by the voter;
- (4) Ballots with Illegible writing or being altered;
- (5) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
- (6) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.

Article 9 The ballots shall be calculated during the meeting right after the vote casting supervised by the scrutineer(s) and the results of the election shall be announced by the Chairman at the meeting.

Article 10 These Rules and any revision thereof shall become effective after the approval at the shareholders' meeting.

### Shareholding of all Directors

Title	Name	Number of shares (2022.04.19)	Shareholding ratio
Chairman	Coretronic Corp. Legal representative Sarah Lin	38,967,586	34.16%
Director	Coretronic Corp. Legal representative Ken Wang	38,967,586	34.16%
Director	Coretronic Corp. Legal representative Sara Lin	38,967,586	34.16%
Director	Jyh-Horng Shyu	30,336	0.03%
Independent Director	Hsiang-Hsun Wu	0	0%
Independent Director	Wan-Ting Yuan	0	0%
Independent Director	Chih-Hun Huang	0	0%
Number of shares held by all directors		38,997,922	34.19%

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.