

**Young Optics Inc.**  
**2020 Annual General Shareholders Meeting Minutes**  
(Translation)

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

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)

Total outstanding shares of Young Optics Inc.: 114,059,785 shares.

Total shares represented by shareholders present in person or by proxy: 74,206,386 shares. (incl. E-voting: 46,607,525)

Percentage of shares held by shareholders present in person or by proxy (incl. E-voting): 65.05%

Directors and Chiefs present: Han-Ping Shieh, Independent Director; Yong-Pei Hong, Independent Director; Qing-Xi Zhuang, Director ;Claude Shyu, President; Cynthia Chang, Financial Chief and Hans Chen, CPA of Ernst & Young

Chairman: Jing-Zhou Huang

Recorder: Li-Ching Lee

I. Call the Meeting to Order

The aggregate shareholding of the shareholders present in person or by proxy (incl. E-voting) constituted a quorum. The chairman called the meeting to order.

II. Chairman Remarks (Omitted)

III. Company Reports

1. 2019 Annual Business Report.

Please refer to the 2019 Annual Business Report as attachment no. 1 in the meeting minutes.

2. 2019 Audit Committee's Report.

Please refer to the Audit Committee's Report on 2019 financial statements as attachment no. 2 in the meeting minutes.

IV. Matters for Ratification

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

(Proposed by the Board of Directors)

(1) The Company's 2019 financial statements have been audited by Ernst & Young.

(2) Please refer to attachment no. 1 for 2019 Annual Business Reports and attachment no. 3 for audited financial statements in the meeting minutes.

(3) The proposal is submitted for ratification.

Voting Results: Shares represented at the time of voting: 74,206,386.

Votes in favor: 73,254,297 (incl. E-voting: 45,657,078 votes). Votes against: 18,006 (incl. E-voting: 18,006 votes). Votes abstained: 934,083 (incl. E-voting: 932,441 votes). Votes invalid: none.

Resolution: The above proposal hereby was approved as proposed.

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

(Proposed by the Board of Directors)

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

Voting Results: Shares represented at the time of voting: 74,206,386.

Votes in favor: 73,253,297 (incl. E-voting: 45,656,078 votes). Votes against: 19,006 (incl. E-voting: 19,006 votes). Votes abstained: 934,083 (incl. E-voting: 932,441 votes). Votes invalid: none.

Resolution: The above proposal hereby was approved as proposed.

## V. Matters for Discussion

### 1. Proposal of Release the prohibition on the Directors from Participation in Competitive Business (Proposed by the Board of Directors)

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

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

- (3) Please resolve.

Voting Results: Shares represented at the time of voting: 74,206,386.

Votes in favor: 73,241,234 (incl. E-voting: 45,644,015 votes). Votes against: 29,088 (incl. E-voting: 29,088 votes). Votes abstained: 936,064 (incl. E-voting: 934,422 votes). Votes invalid: none.

Resolution: The above proposal hereby was approved as proposed.

VI. Motions (None)

VII. Adjournment

There being no other business and special motion, the meeting was adjourned at 9:15 a.m., 12 June, 2020.

## **Young Optics Inc. 2019 Annual Business Report**

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

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

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

1. Successfully Developed Coaxial Deviation of Optical Class Taper Pin : <0.5um
2. Successfully Developed Freeform Mold Machining and Measurement in Augmented Reality
3. Successfully Developed Automotive Smart Head Lamp
4. Successfully Developed 4K DLP 3D Printer(25x23cm<sup>2</sup>)
5. Successfully Developed Structure Light Scanning Engine
6. Successfully Developed Lens for PCB UV Exposure Device

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

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

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

Sincerely,

Chairman: Jing-Zhou, Huang

President: Claude Shyu

Accountant: Cynthia Chang

## **Audit Committee's Report**

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

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

Young Optics Inc.

Chairman of the Audit Committee : Han-Ping, Shieh

Date: April 27, 2020

## AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Young Optics Inc.

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent company only financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation for inventories

As of December 31, 2019, the Company's net inventory amounted to NT\$234,193 thousand, which is significant for the parent company only financial statements. Due to the uncertainties arising from the rapid changes of technology and market environment, the assessment of obsolete and slow-moving inventory write-downs required significant management judgement, we therefore determined this as a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the inventory counting plan and choosing significant warehouse for observation of the physical inventory count to verify the quantity and the status; evaluating and testing net realizable value of inventories adopted by the management; evaluating the reasonableness of the accounting policies on obsolete and slow-moving inventory, including the identification of the obsolete and slow-moving inventory, testing the correctness of the inventory aging and recalculating the correctness of the allowance write-down amount. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the Company's parent company only financial statements.

### Revenue recognition

The Company recognized the revenue amounted to NT\$4,191,505 thousand for the year ended December 31, 2019. Main source of revenue comes from projection products and imaging-related products sales. As revenue is the main operating activity of the Company, the Company recognized revenue when transferring a promised product to a customer. The terms of trade in the products agreed in their contracts are different when the performance obligations were satisfied. As a result of the higher complexity of revenue recognition, we determined the matter to be a key audit matter. Our audit procedures include, but not limited to, assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal controls within the revenue recognition; selecting the top ten clients to perform testing of transaction and reviewing significant terms and conditions in the contracts; selecting samples to perform details testing of transaction and verifying the appropriateness of the timing of revenue recognition; viewing their transactions certificate and performing cut-off procedures on selected samples for a period before and after the reporting date; reviewing subsequent significant sales returns and discounts. Please refer to Notes 4 and 6 to the parent company only financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International



Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

Taiwan, Republic of China

February 14, 2020

### **Notice to Readers**

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

## YOUNG OPTICS INC.

## PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and December 31, 2018

(In thousands of New Taiwan Dollars)

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

## YOUNG OPTICS INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

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

**YOUNG OPTICS INC.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2019 and 2018**

(In thousands of New Taiwan Dollars)

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

## YOUNG OPTICS INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(In thousands of New Taiwan Dollars)

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

## **AUDIT REPORT OF INDEPENDENT ACCOUNTANTS**

### English Translation of a Report Originally Issued in Chinese

To Young Optics Inc.

#### **Opinion**

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2019, and its consolidated financial performance and cash flows for the years ended December 31, 2019 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Valuation for inventories

As of December 31, 2019, the Group's net inventory amounted to NT\$571,261 thousand, which is significant for the consolidated financial statements. Due to the uncertainties arising from the rapid changes of technology and market environment, the assessment of obsolete and slow-moving inventory write-downs required significant management judgement, we therefore determined this as a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the inventory counting plan and choosing significant warehouse for observation of the physical inventory count to verify the quantity and the status; evaluating and testing net realizable value of inventories adopted by the management; evaluating the reasonableness of the accounting policies on obsolete and slow-moving inventory, including the identification of the obsolete and slow-moving inventory, testing the correctness of the inventory aging and recalculating the correctness of the allowance write-down amount. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the Group's consolidated financial statements.

### Revenue recognition

The Group recognized the revenue amounted to NT\$4,819,901 thousand for the year ended December 31, 2019. Main source of revenue comes from projection products and imaging-related products sales. As revenue is the main operating activity of the Group, the Group recognized revenue when transferring a promised product to a customer. The terms of trade in the products agreed in their contracts are different when the performance obligations were satisfied. As a result of the higher complexity of revenue recognition, we determined the matter to be a key audit matter. Our audit procedures include, but not limited to, assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal controls within the revenue recognition; selecting the top ten clients to perform testing of transaction and reviewing significant terms and conditions in the contracts; selecting samples to perform details testing of transaction and verifying the appropriateness of the timing of revenue recognition; viewing their transactions certificate and performing cut-off procedures on selected samples for a period before and after the reporting date; reviewing subsequent significant sales returns and discounts. Please refer to Notes 4 and 6 to the Group's consolidated financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards,

International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Others**

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

Ernst & Young, Taiwan

Taiwan, Republic of China

February 14, 2020

### **Notice to Readers**

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

**YOUNG OPTICS INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**December 31, 2019 and December 31, 2018**

(In thousands of New Taiwan Dollars)

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

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

**For the years ended December 31, 2019 and 2018**

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

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

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, 2019 and 2018**

(In thousands of New Taiwan Dollars)

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

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

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



Young Optics Inc.  
2019 Earnings Distribution Proposal

Unit : NTD

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

Chairman: Jing-Zhou, Huang

President: Claude Shyu

Accountant: Cynthia Chang