

Young Optics Inc.
2018 Annual Meeting Minutes of Shareholders
(Translation)

Time : 9:00 a.m., June 14 (Thursday), 2018

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

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

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

Total shares represented by shareholders present in person or by proxy (incl. E-voting): 58,956,456 shares.

Percentage of shares held by shareholders present in person or by proxy (incl. E-voting): 51.68%

Directors and Chiefs present: Han-Ping Shieh, Yong-Pei Hong and Hsiang-Hsun Wu, the Independent Directors ; Claude Shyu, President ; Cynthia Chang, Financial Chief & Hans Chen, CPA of Ernst & Young

Chairman: Jing-Zhou Huang

Recorder: Chun-Yuan Chen

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's Remarks (Omitted)

III. Company Reports

1. 2017 Annual Business Report:

Please refer to the 2017 Annual Business Report as attachment no. 1 in the meeting minutes.

2. Audit Committee's Report:

Please refer to the Audit Committee's Report on 2017 financial statements as attachment no. 2 in the meeting minutes.

IV. Matters for Ratification

1. Ratification of 2017 Annual Business Reports and Financial Statements.

(Proposed by the Board of Directors)

(1) The Company's 2017 financial statements have been audited by Ernst & Young.

(2) Please refer to attachment no. 1 for 2017 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: 58,956,456.

Votes in favor: 58,009,844 (incl. E-voting: 45,290,615 votes). Votes against: 7,007 (incl. E-voting: 7,007 votes). Votes abstained: 939,605 (incl. E-voting: 380,595 votes). Votes invalid: none.

Resolution: The above proposal hereby was approved as proposed.

2. Ratification of the Proposal for the Distribution of 2017 Earnings.

(Proposed by the Board of Directors)

- (1) The retained earnings at the beginning of 2017 plus re-measurement of defined benefit obligations in 2017 of NTD8,591,330 and the subtotal of retained earnings at the beginning of 2017 available for distribution is NTD318,459,771. Taking the net loss in 2017 of NTD149,020,993 into account, the retained earnings available for distribution at the end of 2017 is NTD178,030,108. The above-mentioned retained earnings will be reserved for the working capital demand for future business operation.
- (2) The earnings distribution proposal has been prepared and attached below in accordance with the Articles of Incorporation and the Company Act.
- (3) The proposal is submitted for ratification.

Young Optics Inc. 2017 Earnings Distribution Proposal

Unit : NTD

Item(s)	Amount
	Total
Retained earnings at the beginning of this period	318,459,771
Add: Re-measurement of defined benefit obligations-2017	8,591,330
Sub-total	327,051,101
Net Loss of 2017	(149,020,993)
Retained earnings available for distribution	178,030,108
Retained earnings at the end of this period	178,030,108

Chairman: Jing-Zhou Huang

President: Claude Shyu

Accountant: Cynthia Chang

Voting Results: Shares represented at the time of voting: 58,956,456.

Votes in favor: 57,994,844 (incl. E-voting: 45,275,615 votes). Votes against: 23,007 (incl. E-voting: 23,007 votes). Votes abstained: 938,605 (incl. E-voting: 379,595 votes). Votes invalid: none.

Resolution: The above proposal hereby was approved as proposed.

V. Proposal and Elections Matters

1. Proposal for the Company's Election of Directors of the 7th Term.

- (1) The tenure of the 6th term of directors will expire on June 9, 2018. The 7th term of directors will be elected at this annual meeting of general shareholders. The Company shall have seven (7) directors to be elected at this annual meeting of general shareholders. It is proposed to elect seven (7) directors including three (3) independent directors per the Article 17 of the Company's Articles of Incorporation. The tenure of newly-elected directors should be three

years commence on June 14, 2018 and expired on June 13, 2021.

- (2) According to the Company's Articles of Incorporation, the directors shall be elected according to the candidate nomination system and procedures. The list of candidates with educational degree and detailed backgrounds has been approved by the Board of Directors on April 24, 2018 as follows:

Title	Name of Nominated Members	Educational Degree	Related Experience	Shares Owned (Unit: Share)
Director	Jing-Zhou, Huang	Master of Industrial Engineering & Engineering Management, National Tsing Hua University	General Manager of Coretronic Corporation	0
	Coretronic Corporation	Not Applicable (N/A)	Director of Young Optics Inc.	43,757,586
	Tsen Ming Investment Corp.	Not Applicable (N/A)	Director of Young Optics Inc.	3,393,886
	Chung Tsen Investment Corp.	Not Applicable (N/A)	Director of Young Optics Inc.	5,183,317
Independent Director	Han-Ping, Shieh	PhD of Electrical and Computer Engineering, Carnegie Mellon University	Lifetime Chair Professor, National Chiao Tung University	0
	Yong-Pei, Hong	Master of Business Administration of Chinese Culture University	Executive Vice-President, CSC Venture Capital Corporation	0
	Hsiang-Hsun, Wu	PhD of International Business, National Taiwan University	Assistant Professor, College of Management, Yuan Ze University	0

- (3) Rules for Election of Directors, please refer to the Appendix no. 3 in the meeting minutes.

- (4) Please vote.

Election Results:

Title	Stockholder / ID no.	Name	Votes
Director	J100768xxx	Jing-Zhou, Huang	67,509,871
Director	1	Coretronic Corporation	57,194,696
Director	543	Tsen Ming Investment Corp.	57,138,839
Director	4	Chung Tsen Investment Corp.	57,113,832
Independent Director	B100613xxx	Han-Ping, Shieh	54,113,083
Independent Director	M101697xxx	Yong-Pei, Hong	53,869,075
Independent Director	L122808xxx	Hsiang-Hsun, Wu	53,719,574

2. Proposal of Release the Prohibition on the Newly-elected 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 general shareholders the essential contents of such an act and secure its approval.
- (2) The newly-elected directors or their representatives who may participate in the operations of another company that engages in the same or similar business scope as the Company with details in the list below, hereby proposed to request the shareholders' approval to release the prohibition on the newly-elected directors from participation in competitive business under the premise that doesn't impair the interest of the Company.

Title	Name	Prohibitions for Competitive Business to be Released
Director	Jing-Zhou, Huang	Director, Young Green Energy Co. Director, Rays Optics Inc. Director, J-Star Holding Co., Ltd.
Director	Coretronic Corporation	Director, Young Green Energy Co. Director, Young Lighting Technology Inc. Director, uCare Medical Electronics Co., Ltd. Director, Champ Vision Display. Inc. Director, InnoSpectra Corporation Director, Optoma Corporation Director, Coretronic Intelligent Cloud Service Corporation Director, Coretronic Intelligent Robotics Corporation
Independent Director	Han-Ping, Shieh	Director, FocalTech System Co., Ltd. Director, Silicon Motion Technology Corporation Supervisor, HiTrend Technology (Shanghai) Co., Ltd.

- (3) The proposal is submitted for ratification.

Resolution:

Voting Results: Shares represented at the time of voting: 58,956,456.

Votes in favor: 57,999,699 (incl. E-voting: 45,280,470 votes). Votes against: 8,027 (incl. E-voting: 8,027 votes). Votes abstained: 948,730 (incl. E-voting: 389,720 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 9:21 a.m., 14 June, 2018.

Young Optics Inc.
2017 Annual Business Report

For the fiscal year of 2017, Young Optics Inc. has reported consolidated sales revenue of NT\$4,455 million. Net operating loss was reported at NT\$136 million, loss before tax was NT\$134 million with net loss was NT\$148 million. The basic EPS was -NT\$1.31 per common share.

In the year of 2017, Due to the lower customer demand, consolidated sales revenue was reported at NT\$4,455 million, representing a 8.2% increase as compared to the same period in 2016. For the sake of the adjustments of sales with products portfolio as well as the production yield rates of new products, the gross margin dropped to 18.20%, comparing with 21.20% of the previous year.

In terms of research and innovation, Young Optics Inc. has shown the following achievements in 2017 through the teamwork and collaboration of R&D Department:

- 1.Successfully Developed and Mass-produced the Modules for XPR (Expand Resolution).
- 2.Successfully Developed and Mass-produced Cooling Technics for Thermoelectric Cooling Module Application.
- 3.Successfully Developed Projection Lens Resolution Adjustable Solution.
- 4.Successfully Developed High Reflection Freeform Mirror for HUD.
- 5.Successfully Developed Diffractive / Refractive Hybrid Lens for Surveillance

Looking into 2018, Young Optics Inc. will aim to implementing the following strategies:

(1) Via Aspherical molding, precision mold processing and coating technology, to develop the markets of automobiles, 3D-Printing and further to expand the applications of AR-VR.

(2) Based on optical machine design and manufacturing process of precision components, which are applied to diversify and develop the advantageous technics and further to integrate and develop the high-end 3D-Printing technology and automatic display devices for end-user applications of shopping malls and markets.

(3) To enhance the technical capabilities and automation degree of the optical components' manufacturing process through the integration of computer aided manufacturing system, and to build competitive advantage and reduce the cost barriers for application modules with superior designing technology of optical components

(4) To become the most reliable partners of supply for our esteemed clients via the most excellent performance in every detail of quality assurance, production processing and service.

(5) Moreover, through the market strategy and group layout, plus lower cost funding, we will gather the consensus to the maximum of all employees. Through the teamwork, positive innovating attitude and execution, 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: 2018 General Annual Meeting of Shareholders of Young Optics Inc.

The Board of Directors of the Company has delivered the 2017 business report, the financial statements and the proposed 2017 earnings distribution. The aforesaid 2017 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 24, 2018

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. as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, and its parent company only financial performance and cash flows for the years ended December 31, 2017 and 2016, 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 2017 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, 2017, the Group's net inventory amounted to NT\$231,003 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.

Maintenance warranties for products

The Company recognized the provision of maintenance warranties for products amount to NT\$13,755 thousand for the years ended December 31, 2017. Based on the experience of maintenance warranties for products, management judges and estimates the provision of maintenance warranties. Considering the assessment of the amount of the provision of maintenance warranties require significant management judgement, we 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 the provision ratio of maintenance warranties; evaluating the reasonableness of accounting policies on the provision of maintenance warranties; testing the selected samples for the provision of maintenance warranties and confirming that whether to comply with the accounting policies; testing the source of the basic data. We also assessed the adequacy of disclosures of the provision of maintenance warranties for products. Please refer to Notes 4, 5 and 6 to the Company's 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 2017 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

January 26, 2018

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, 2017 and December 31, 2016

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2017		December 31, 2016		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016	
Current assets					Current liabilities				
Cash and cash equivalents	\$273,532	5	\$239,009	4	Short-term loans	\$300,000	6	\$854,500	16
Notes receivable, net	-	-	58	-	Accounts payable	184,042	3	83,484	2
Accounts receivable, net	328,660	6	312,800	6	Accounts payable-related parties	624,844	12	415,651	8
Accounts receivable-related parties, net	286,897	5	195,755	4	Other payables	326,160	6	285,732	5
Other receivables	7,057	-	4,903	-	Other payables-related parties	6,914	-	1,984	-
Other receivables-related parties	70,301	2	57,262	1	Provisions-current	13,755	-	31,037	1
Current tax assets	98	-	44	-	Advance receipts	5,994	-	18,431	-
Inventories, net	231,003	4	125,446	2	Long-term liabilities - current portion	46,667	1	1,875	-
Prepayments	13,201	-	8,120	-	Other current liabilities	7,662	-	7,059	-
Other current assets	80,756	2	44,648	1	Total current liabilities	<u>1,516,038</u>	<u>28</u>	<u>1,699,753</u>	<u>32</u>
Total current assets	<u>1,291,505</u>	<u>24</u>	<u>988,045</u>	<u>18</u>	Non-current liabilities				
Non-current assets					Long-term loans	451,458	8	28,125	-
Investments accounted for using the equity method	2,140,965	40	2,406,210	45	Deferred tax liabilities	23,804	1	54,874	1
Property, plant and equipment	1,660,439	31	1,739,155	32	Net defined benefit liabilities, noncurrent	-	-	7,250	-
Investment property, net	184,511	3	192,564	4	Guarantee deposits	2,475	-	2,085	-
Intangible assets	11,658	-	5,531	-	Total non-current liabilities	<u>477,737</u>	<u>9</u>	<u>92,334</u>	<u>1</u>
Deferred tax assets	15,904	-	16,408	-	Total liabilities	<u>1,993,775</u>	<u>37</u>	<u>1,792,087</u>	<u>33</u>
Refundable deposits	224	-	47	-	Equity				
Net defined benefit assets	10,117	-	-	-	Capital				
Other financial assets	21,823	1	21,811	1	Common stock	1,140,598	21	1,140,598	21
Other noncurrent assets-others	26,124	1	-	-	Capital surplus	1,648,711	31	1,648,711	31
Total non-current assets	<u>4,071,765</u>	<u>76</u>	<u>4,381,726</u>	<u>82</u>	Retained earnings				
					Legal reserve	421,812	8	421,812	8
					Special reserve	82,686	2	82,686	1
					Undistributed earnings	178,030	3	318,460	6
					Total retained earnings	<u>682,528</u>	<u>13</u>	<u>822,958</u>	<u>15</u>
					Other equity	<u>(102,342)</u>	<u>(2)</u>	<u>(34,583)</u>	<u>-</u>
Total assets					Total equity	<u>3,369,495</u>	<u>63</u>	<u>3,577,684</u>	<u>67</u>
	<u>\$5,363,270</u>	<u>100</u>	<u>\$5,377,309</u>	<u>100</u>	Total liabilities and equity	<u>\$5,363,270</u>	<u>100</u>	<u>\$5,369,771</u>	<u>100</u>

YOUNG OPTICS INC.**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME****For the years ended December 31, 2017 and 2016**

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

Description	2,017	%	2016	%
Net sales	\$3,707,853	100	\$3,257,016	100
Operating costs	(3,224,801)	(87)	(2,725,057)	(84)
Gross profit	483,052	13	531,959	16
Unrealized intercompany profit	(4,948)	-	(16,127)	-
Realized intercompany profit	16,127	-	3,505	-
Gross profit, net	494,231	13	519,337	16
Operating expenses				
Sales and marketing expenses	(90,118)	(2)	(103,399)	(3)
General and administrative expenses	(178,702)	(5)	(284,506)	(9)
Research and development expenses	(414,362)	(11)	(411,771)	(13)
Total operating expenses	(683,182)	(18)	(799,676)	(25)
Operating loss	(188,951)	(5)	(280,339)	(9)
Non-operating income and expenses				
Other income	38,055	1	47,264	1
Other gains and losses	(14,416)	-	(12,059)	-
Finance costs	(8,857)	-	(7,079)	-
Share of profit of subsidiaries, associates and joint ventures	15,420	-	62,815	2
Total non-operating income and expenses	30,202	1	90,941	3
Net income before income tax	(158,749)	(4)	(189,398)	(6)
Income tax expense	9,728	-	(9,295)	-
Net (loss) income	(149,021)	(4)	(198,693)	(6)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	10,351	-	121	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	(1,760)	-	(21)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(67,759)	(2)	(177,333)	(5)
Income tax benefit (expense) related to items that may be reclassified subsequently	-	-	-	-
Other comprehensive loss, net of tax	(59,168)	(2)	(177,233)	(5)
Total comprehensive (loss) income	<u>\$ (208,189)</u>	<u>(6)</u>	<u>\$ (375,926)</u>	<u>(11)</u>
Basic (loss) Earnings Per Share (in New Taiwan Dollars)	<u>\$ (1.31)</u>		<u>\$ (1.74)</u>	
Diluted (loss) Earnings Per Share (in New Taiwan Dollars)	<u>\$ (1.31)</u>		<u>\$ (1.74)</u>	

YOUNG OPTICS INC. AND SUBSIDIARIES

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(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, 2016	\$1,140,598	\$1,647,625	\$408,946	\$82,686	\$593,793	\$142,750	\$4,016,398
Appropriation and distribution of 2015 retained earnings							
Legal reserve	-	-	12,866	-	(12,866)	-	-
Cash dividends	-	-	-	-	(63,874)	-	(63,874)
Net income in 2016	-	-	-	-	(198,693)	-	(198,693)
Other comprehensive income (loss) in 2016	-	-	-	-	100	(177,333)	(177,233)
Total comprehensive income (loss)	-	-	-	-	(198,593)	(177,333)	(375,926)
Changes in ownership interests in subsidiaries	-	651	-	-	-	-	651
Other	-	435	-	-	-	-	435
Balance as of December 31, 2016	<u>\$1,140,598</u>	<u>\$1,648,711</u>	<u>\$421,812</u>	<u>\$82,686</u>	<u>\$318,460</u>	<u>\$(34,583)</u>	<u>\$3,577,684</u>
Balance as of January 1, 2017	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$318,460	\$(34,583)	\$3,577,684
Net Loss in 2017	-	-	-	-	(149,021)	-	(149,021)
Other comprehensive income (loss) in 2017	-	-	-	-	8,591	(67,759)	(59,168)
Total comprehensive loss	-	-	-	-	(140,430)	(67,759)	(208,189)
Balance as of December 31, 2017	<u>\$1,140,598</u>	<u>\$1,648,711</u>	<u>\$421,812</u>	<u>\$82,686</u>	<u>\$178,030</u>	<u>\$(102,342)</u>	<u>\$3,369,495</u>

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

YOUNG OPTICS INC. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In thousands of New Taiwan Dollars)

項 目	2017	2016	項 目	2017	2016
Cash flows from operating activities :			Cash flows from investing activities :		
Net loss before tax	\$(158,749)	\$(189,398)	Proceeds from disposal of property, plant and equipment	400	64
Adjustments for:			Acquisition of property, plant and equipment	(86,049)	(142,381)
Profit or loss items :			Proceeds from capital reduction for using the equity method	-	(88,818)
Bad debt expenses (reversal)	(4)	4	Acquisition of intangible assets	(4,151)	(4,774)
Depreciation (including investment property)	177,242	183,797	Increased (decreased) in refundable deposits	(177)	20
Share of profit of subsidiaries, associates and joint venture	(15,420)	(62,815)	Increase in other financial assets	(12)	(14)
Unrealized intercompany profit	4,948	16,127	Increased (decreased) in other noncurrent assets-others	(26,124)	4,140
Realized intercompany profit	(16,127)	(3,505)	Net cash used in investing activities	<u>(116,113)</u>	<u>(231,763)</u>
Unrealized gain on disposal of intangible assets	12,279				
Amortization	7,344	7,819			
Interest expense	8,857	7,079			
Interest income	(653)	(565)			
Gain on disposal of property, plant and equipment	-	(115)	Cash flows from financing activities :		
Transfer of property, plant and equipment to expense	-	1,101	Increase (decrease) in short-term loans (include current portion of long-term loans)	(509,708)	356,375
Changes in operating assets and liabilities:			Increase in long-term loans	423,333	28,125
Notes receivable decreased (increased)	58	1,558	Increase (decrease) in guarantee deposits	390	(5,414)
Accounts receivable decreased	(15,856)	63,804	Cash dividends	-	(63,874)
Accounts receivable-related parties (increased) decreased	(91,142)	(113,010)	Net cash used in financing activities	<u>(85,985)</u>	<u>315,212</u>
Other receivables decreased	(2,126)	1,032	Net (decrease) increase in cash and cash equivalents	34,523	21,744
Other receivables-related parties Increased	(13,039)	(31,541)	Cash and cash equivalents at beginning of the period	239,009	217,265
Inventories decreased	(105,557)	6,411	Cash and cash equivalents at end of the period	<u>\$273,532</u>	<u>\$239,009</u>
Prepayments increased	(5,081)	(2,529)			
Other current assets-others decreased (Increased)	(36,108)	9,018			
Accounts payable decreased	100,558	(12,073)			
Accounts payable-related parties increased (decreased)	209,193	103,661			
Other payables decreased	26,498	(41,706)			
Other payables-related parties (decreased) increased	4,930	(16,730)			
Provisions-current Increased	(17,282)	6,640			
Advance receipts increased (decreased)	(12,437)	8,996			
Other current liabilities decreased	603	(76)			
Net defined benefit assets / liability	<u>(7,016)</u>	<u>(2,685)</u>			
Cash generated from operations	<u>55,913</u>	<u>(59,701)</u>			
Interest received	625	570			
Dividend received	211,806	6,319			
Interest paid	(9,071)	(6,715)			
Income tax paid	<u>(22,652)</u>	<u>(2,178)</u>			
Net cash provided by operating activities	<u>236,621</u>	<u>(61,705)</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, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, 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 2017 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, 2017, the Group's net inventory amounted to NT\$766,533 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.

Maintenance warranties for products

The Group recognized the provision of maintenance warranties for products amount to NT\$17,457 thousand for the years ended December 31, 2017. Based on the experience of maintenance warranties for products, management judges and estimates the provision of maintenance warranties. Considering the assessment of the amount of the provision of maintenance warranties require significant management judgement, we 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 the provision ratio of maintenance warranties; evaluating the reasonableness of accounting policies on the provision of maintenance warranties; testing the selected samples for the provision of maintenance warranties and confirming that whether to comply with the accounting policies; testing the source of the basic data. We also assessed the adequacy of disclosures of the provision of maintenance warranties for products. Please refer to Notes 4, 5 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 2017 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, 2017 and 2016.

Ernst & Young, Taiwan

Taiwan

Republic of China

January 26, 2018

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, 2017 and December 31, 2016

(In thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	%	December 31, 2016	%	LIABILITIES AND EQUITY	December 31, 2017	%	December 31, 2016	%
Current assets					Current liabilities				
Cash and cash equivalents	\$1,538,310	29	\$1,962,705	36	Short-term loans	\$358,890	7	\$972,264	17
Notes receivable, net	605	-	58	-	Accounts payable	580,444	11	369,451	7
Accounts receivable, net	523,266	10	476,465	9	Accounts payable-related parties	-	-	940	-
Accounts receivable-related parties, net	150,560	3	175,220	3	Other payables	478,876	9	416,164	7
Other receivables	19,137	-	17,075	-	Other payables-related parties	13,377	-	12,535	-
Current tax assets	3,275	-	9,773	-	Current tax liabilities	9,882	-	5,526	-
Inventories, net	766,533	14	509,331	9	Provisions-current	17,657	-	35,179	1
Prepayments	18,866	-	13,804	-	Advance receipts	9,175	-	28,412	1
Other financial assets	2,063	-	-	-	Long-term liabilities - current portion	46,667	1	1,875	-
Other current assets	94,198	2	76,131	1	Other current liabilities	9,107	-	8,699	-
Total current assets	3,116,813	58	3,240,562	58	Total current liabilities	1,524,075	28	1,851,045	33
Non-current assets					Non-current liabilities				
Property, plant and equipment	1,933,169	36	2,017,590	37	Long-term loans	451,458	8	28,125	1
Investment property, net	184,511	3	192,564	3	Deferred tax liabilities	23,804	-	54,874	1
Intangible assets	34,136	1	30,980	2	Net defined benefit liabilities, noncurrent	-	-	7,250	-
Deferred tax assets	23,159	-	23,663	-	Guarantee deposits	5,512	1	6,551	-
Refundable deposits	31,891	1	4,888	-	Total non-current liabilities	480,774	9	96,800	2
Net defined benefit assets	10,117	-	-	-	Total liabilities	2,004,849	37	1,947,845	35
Other financial assets	21,823	-	21,811	-					
Other noncurrent assets-others	26,124	1	-	-	Equity attributable to shareholders of the parent				
Total non-current assets	2,264,930	42	2,291,496	42	Capital				
					Common stock	1,140,598	21	1,140,598	21
					Capital surplus	1,648,711	31	1,648,711	30
					Retained earnings				
					Legal reserve	421,812	8	421,812	8
					Special reserve	82,686	2	82,686	1
					Undistributed earnings	178,030	3	318,460	6
					Total retained earnings	682,528	13	822,958	15
					Other equity	(102,342)	(2)	(34,583)	(1)
					Non-controlling interests	7,399	-	6,529	0
					Total equity	3,376,894	63	3,584,213	65
Total assets	\$5,381,743	100	\$5,532,058	100	Total liabilities and equity	\$5,381,743	100	\$5,532,058	100

YOUNG OPTICS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

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

Description	2017	%	2016	%
Net sales	\$4,455,012	100	\$4,115,786	100
Operating costs	(3,642,246)	(82)	(3,245,154)	(79)
Gross profit	812,766	18	870,632	21
Operating expenses				
Sales and marketing expenses	(147,390)	(3)	(153,515)	(4)
General and administrative expenses	(259,302)	(6)	(374,574)	(9)
Research and development expenses	(541,843)	(12)	(528,188)	(13)
Total operating expenses	(948,535)	(21)	(1,056,277)	(26)
Net other operating income and expenses	-	-	-	-
Operating income	(135,769)	(3)	(185,645)	(5)
Non-operating income and expenses				
Other income	51,520	1	41,419	1
Other gains and losses	(38,522)	(1)	(12,095)	-
Finance costs	(11,135)	-	(8,550)	-
Total non-operating income and expenses	1,863	-	20,774	1
Net income before income tax	(133,906)	(3)	(164,871)	(4)
Income tax expense	(14,285)	-	(37,422)	(1)
Net loss	(148,191)	(3)	(202,293)	(5)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	10,351	-	121	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	(1,760)	-	(21)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	(67,719)	(2)	(177,338)	(4)
Income tax benefit (expense) related to items that may be reclassified subsequently	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive loss, net of tax	(59,128)	(2)	(177,238)	(4)
Total comprehensive (loss) income	<u><u>\$ (207,319)</u></u>	<u><u>(5)</u></u>	<u><u>\$ (379,531)</u></u>	<u><u>(9)</u></u>
Net (loss) income attributable to :				
Shareholders of the parent	\$ (149,021)		\$ (198,693)	
Non-controlling interests	830		(3,600)	
	<u><u>\$ (148,191)</u></u>		<u><u>\$ (202,293)</u></u>	
Total comprehensive (loss) income attributable to :				
Shareholders of the parent	\$ (208,189)		\$ (375,926)	
Non-controlling interests	870		(3,605)	
	<u><u>\$ (207,319)</u></u>		<u><u>\$ (379,531)</u></u>	
Basic (loss) Earnings Per Share (in New Taiwan Dollars)	<u><u>\$ (1.31)</u></u>		<u><u>\$ (1.74)</u></u>	
Diluted (loss) Earnings Per Share (in New Taiwan Dollars)	<u><u>\$ (1.31)</u></u>		<u><u>\$ (1.74)</u></u>	

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, 2017 and 2016

(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			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, 2016	\$1,140,598	\$1,647,625	\$408,946	\$82,686	\$593,793	\$142,750	\$4,016,398	\$25	\$4,016,423
Appropriation and distribution of 2015 retained earnings									
Legal reserve	-	-	12,866	-	(12,866)	-	-	-	-
Cash dividends	-	-	-	-	(63,874)	-	(63,874)	-	(63,874)
Net loss in 2016	-	-	-	-	(198,693)	-	(198,693)	(3,600)	(202,293)
Other comprehensive income (loss) in 2016	-	-	-	-	100	(177,333)	(177,233)	(5)	(177,238)
Total comprehensive income (loss)	-	-	-	-	(198,593)	(177,333)	(375,926)	(3,605)	(379,531)
Changes in ownership interests in subsidiaries	-	651	-	-	-	-	651	(651)	-
Share-based Payment	-	435	-	-	-	-	435	35	470
Increase in non-controlling interests	-	-	-	-	-	-	-	10,725	10,725
B `	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$318,460	\$(34,583)	\$3,577,684	\$6,529	\$3,584,213
Balance as of January 1, 2016	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$318,460	\$(34,583)	\$3,577,684	\$6,529	\$3,584,213
Net Loss in 2017	-	-	-	-	(149,021)	-	(149,021)	830	(148,191)
Other comprehensive income (loss) in 2017	-	-	-	-	8,591	(67,759)	(59,168)	40	(59,128)
Total comprehensive loss	-	-	-	-	(140,430)	(67,759)	(208,189)	870	(207,319)
Balance as of December 31, 2017	\$1,140,598	\$1,648,711	\$421,812	\$82,686	\$178,030	\$(102,342)	\$3,369,495	\$7,399	\$3,376,894

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, 2017 and 2016

(In thousands of New Taiwan Dollars)

Description	2017	2016	Description	2017	2016
Cash flows from operating activities :			Cash flows from investing activities :		
Net loss before tax	\$(133,906)	\$(164,871)	Acquisition of subsidiaries (net of cash acquired)	-	(20,530)
Adjustments for:			Proceeds from disposal of property, plant and equipment	542	5,995
Profit or loss items :			Acquisition of property, plant and equipment	(172,491)	(123,611)
Bad debt (reversal) expenses	(134)	134	Acquisition of intangible assets	(4,151)	(6,482)
Depreciation (including investment property)	221,694	224,803	Decreased (increased) in refundable deposits	(27,003)	15,874
Amortization	9,161	9,923	Increase in other financial assets	(2,075)	(14)
Interest expense	11,135	8,550	Decreased (increased) in other noncurrent assets-others	(26,124)	4,140
Interest income	(31,423)	(24,594)	Net cash used in investing activities	<u>(231,302)</u>	<u>(124,628)</u>
Share-based payment expenses	-	470			
Loss (gain) on disposal of property, plant and equipment	492	3,965	Cash flows from financing activities :		
Transfer of property, plant and equipment to expense	148	2,167	Increase (decrease) in short-term loans (include current portion of long-term loans)	(568,582)	474,139
Changes in operating assets and liabilities:			Increase in long-term loans	423,333	28,125
Notes receivable decreased	(547)	106,856	Decrease in guarantee deposits	(1,039)	(1,301)
Accounts receivable	(46,667)	(47,943)	Cash dividends	-	(63,874)
Accounts receivable-related parties	24,660	(2,583)	Increase in noncontrolling interests	-	10,425
Other receivables	(667)	4,581	Net cash used in financing activities	<u>(146,288)</u>	<u>447,514</u>
Inventories	(257,202)	41,679	Effect of exchange rate changes on cash and cash equivalents	<u>(36,411)</u>	<u>(166,945)</u>
P `	(5,062)	5,431	Net (decrease) increase in cash and cash equivalents	<u>(424,395)</u>	<u>208,181</u>
Other current assets-others	(18,067)	2,208	Cash and cash equivalents at beginning of the period	1,962,705	1,754,524
Accounts payable	210,993	(35,384)	Cash and cash equivalents at end of the period	<u>\$1,538,310</u>	<u>\$1,962,705</u>
Accounts payable-related parties	(940)	(2,342)			
Other payables	65,556	(58,635)			
Other payables-related parties	842	(1,024)			
Other current liabilities	408	430			
Advance receipts	(19,237)	7,463			
Net defined benefit asset / liability	(7,016)	(2,685)			
Provisions-current	<u>(17,413)</u>	<u>7,076</u>			
Cash generated from operations	<u>6,808</u>	<u>85,675</u>			
Interest received	30,028	26,196			
Interest paid	(11,473)	(7,990)			
Income tax paid	(35,757)	(51,641)			
Net cash provided by operating activities	<u>(10,394)</u>	<u>52,240</u>			

Young Optics Inc.
Rules and Procedures of Shareholders' Meeting

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

postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act.

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

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

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

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

In the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting. The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.

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

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

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

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

shareholder.

- Article 12 If a legal-entity shareholder has appointed two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
- Article 13 After the speech of a shareholder, the Chairman may respond himself/herself or appoint an appropriate person to respond.
- Article 14 The Chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
In voting, the resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
- Article 15 The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
- Article 16 During the Meeting, the chairman may, at his discretion, set time for intermission.
- Article 17 Except otherwise specified in the Company Act or the Articles of Incorporation of this Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting.
- Article 18 If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
- Article 19 The Chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear arm badges marked "Disciplinary Officers" for identification purpose.
- Article 20 Any matter not provided in these Rules and Procedures shall be handled in accordance with the Company Act, the Articles of Incorporation, relevant laws and regulations.
- Article 21 These Rules and Procedures and any revision thereof shall become effective after approval at the shareholders' meeting.

**Young Optics Inc.
Articles of Incorporation**

Chapter I : General Provisions

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

Article 6 Public announcement of the Corporation shall be made in accordance with the Company Act and other relevant rules and regulations.

Chapter II : Shares

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

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

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

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

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

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

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

Chapter III : Shareholders' Meeting

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

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

- Article 12 In case a shareholder is unable to attend a shareholders' meeting. The process shall be in accordance with the article 177 of the Company Act and the provisions of "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies".
- Article 13 The Chairman of the Board of Directors shall internally preside the shareholders' meeting. In his absent, the Vice Chairman shall preside the meeting. In case there is no Vice Chairman, or the Vice Chairman is also absent, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves an acting Chairman of the Board of Directors.
- Article 14 Unless limited stock or no voting right stock specified in Paragraph 2, Article 179 of the Company Act, each share of stock shall be entitled to one vote.
- Article 15 Except as provided in the Company Act and regulations, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. Shareholders may also vote via an electronic voting system, and those who do so shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.
- Article 16 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all shareholders of the Corporation within twenty (20) days after the close of the meeting.
- The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Corporation.
- The attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Corporation for a minimum period of at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the minutes of the shareholders' meeting involved shall be kept by the Corporation until the legal proceedings of the foregoing lawsuit have been concluded.

Chapter IV : Directors

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

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

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

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

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

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

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

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

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

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

In case the Chairman of the Board of Directors is absent, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is also absent, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves.

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

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

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

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

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

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

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

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

Chapter V : Managers

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

Chapter VI : Accounting

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

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

Article 26 If the Company is profitable, it shall set at least 10% as employee compensation. However, if the Company has accumulated losses, it shall be deducted at first.

Employee compensation shall be in shares or cash, with recipients being the payroll employees of the Company or the subsidiaries with certain specific requirements.

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

shareholder's dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at the shareholders' meeting.

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

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

Article 28 Deleted

Chapter VII : Supplementary Provisions

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

Article 30 In regard to all matters not provided for in these Articles of Incorporation, the Company Act and other Laws shall govern.

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

**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	Shareholding ratio
Chairman	Coretronic Corp. legal representative : Jing-Zhou, Huang	43,757,586	38.36%
Director	Coretronic Corp. legal representative : Max Lee	43,757,586	38.36%
Director	Tsen Ming Investment Corp. legal representative : Fu-Ming, Chuang	3,393,886	2.98%
Director	Chung Tsen Investment Corp. legal representative : Cing-Si, Chung	5,183,317	4.54%
Independent Director	Han-Ping, Shieh	0	0%
Independent Director	Yong-Pei, Hong	0	0%
Independent Director	Hsiang-Hsun, Wu	0	0%
Number of shares held by all directors		52,334,789	45.88%

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.