(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Ginko International Co., Ltd.
and Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Ginko International Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Ginko International Co., Ltd. and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

1. Revenue Recognition

   Refer to note 4(p) "Revenue" for accounting policy of revenue, note 5(b) "revenue recognition" for Significant accounting assumptions and judgments, and major sources of estimation uncertainty and note 6(q) explanation of significant accounts to the consolidated financial statements.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

How the matter was addressed in our audit:

The Group's revenue based on agree upon contracts to provide sales' return and allowance to clients. The Group's managements made above situations as deduction of income. However, investors and management evaluate the income is the main index of the Group's financial and sales performances, therefore, the correction of sales' income at the year has majority impact to consolidated financial statements. As for the report, revenue and sales' return and allowance has been identified as one of the majority key audit matter.

Our principal audit procedures included:

Our key audit procedures performed in respect of above including following as testing circulation of sales and collection operation, inspecting the Group's sales contracts and relevant documents, reexamining clients' information, changes of clients and product differentiate, and testing sales' trading before and after the current year ended.

As the key audit procedures of sales' return and allowance, auditor implemented including evaluated the Group's management's hypothesis and compared inside and outside sources, then realized if there is any significant situation of sales' return and allowance.

2. Inventory Evaluation

Refer to note 4(i) "Inventories" for accounting policy for inventory, note 5(a) "Net realizable value of inventories" for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(d) "inventory" for explanation of significant to the consolidated financial statements.

How the matter was addressed in our audit:

The Group's majority supplies of eye health products, including contact lenses, lens care products and medicines for market demand. Because products are unique, which might change prices based on how the market demand. Other than weighted manufature and production costs, management evaluated the final price based in relevant information from marketing and outside sources. Therefore, inventory has identified as one of the majority key audit matter.

Our principal audit procedures included:

Our key audit procedures performed in respect of above including reasonable of inventory allowances and loss and identified if inventory has followed the rules of communique provisions. Review inventory aging report, then analysis the changing situations, review selling condition, and determine realized value to identified reasonableness of inventory and reviewed if management disclosure in accounts receivable.

3. Account Receivable Evaluation

Refer to note 4(h) "Financial instruments" for accounting policy of accounts receivable, note 5(c) "Impairment loss of accounts receivable" for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(c) "Notes receivable, accounts receivable and other receivables" for explanation of significant to the consolidated financial statements.

How the matter was addressed in our audit:

The Group's accounts receivable has taken 23% of total asset at the year ended of 2017. Based on outside sources and historical experiences, management has evaluated the loss of accounts receivable. Therefore, accounts receivable has identified as one of the majority key audit matter.

Our principal audit procedures included:

By reviewing accounts receivable aging report, auditor analyzed the changing situations of aging report, picked sampling and send confirmation to clients, then tested situations of receivable in subsequent period for determined the loss of account receivable's reasonableness and reviewed if management disclosure in accounts receivable.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the 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 Group's ability to continue as a going concern, 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 are responsible for overseeing the Group's financial reporting process.

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 the 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 Group's internal control.

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 Group's ability to continue as a going concern. 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and 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 the consolidated financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are

Yuan-Chen Mei and Heng-Shen Lin.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(All Amount Expressed in thousands of currency)

		December 31, 2017			December 31, 2016					December 31, 2017			December 31, 2016		
	Assets	**CNY**	**TWD**	**%**	**CNY**	**TWD**	**%**		**Liabilities and equity**	**CNY**	**TWD**	**%**	**CNY**	**TWD**	**%**
	Current assets:								**Current liabilities:**						
1100	Cash and cash equivalents (note 6(a))	$ 871,845	3,979,974	20	743,195	3,431,333	20	2100	Short-term bank loans (notes 6(i), and 8)	$ 1,112,749	5,079,700	28	892,055	4,118,616	25
1150	Notes receivable, net (note 6(c))	6,975	31,842	-	9,817	45,323	-	2150	Notes payable	5,462	24,933	-	1,028	4,743	-
1170	Accounts receivable, net (note 6(c))	934,506	4,266,019	23	1,154,095	5,328,456	32	2170	Accounts payable (note 7)	84,023	383,563	2	94,438	436,020	3
1181	Accounts receivable from related parties (notes 6(c) and 7)	23,370	106,686	1	22,257	102,762	1	2200	Other payables (notes 6(k), 6(o), and 6(r))	160,111	730,907	4	126,967	586,207	3
1200	Other receivables (note 6(c))	62,748	286,442	2	40,182	185,520	1	2220	Other payables to related parties (note 7)	2,154	9,834	-	2,443	11,280	-
1210	Other receivables from related parties (notes 6(c) and 7)	13,993	63,878	-	41,323	190,787	1	2230	Current income tax liabilities	16,034	73,195	-	35,046	161,806	1
1220	Current income tax assets	3,066	13,997	-	960	4,428	-	2250	Provisions for liabilities - current (note 6(l))	20,596	94,021	-	11,972	55,276	-
130X	Inventory (note 6(d))	456,984	2,086,133	11	436,491	2,015,279	12	2320	Long-term liabilities, current portion (6(j))	153,965	702,848	4	-	-	-
1410	Prepayments	36,822	168,090	1	32,359	149,404	1		**Total current liabilities**	1,555,094	7,099,001	38	1,163,949	5,373,948	32
1476	Other financial assets (notes 6(b) and 8)	284,637	1,299,369	7	104,506	482,503	3	1	**Non-current liabilities:**						
1479	Other current assets	13,252	60,497	-	12,336	56,956	-	2530	Bonds payable (note 6(j))	-	-	-	149,240	689,040	4
	Total current assets	2,708,198	12,362,927	65	2,597,521	11,992,751	71	2540	Long-term bank loans (notes 6(i) and 8)	343,921	1,570,000	8	231,752	1,070,000	6
	Non-Current assets:							2570	Deferred income tax liabilities (note 6(n))	3,400	15,521	-	7,789	35,963	-
1600	Property, plant and equipment (notes 6(f) and 8)	1,279,731	5,841,974	31	984,624	4,546,010	26		**Total non-current liabilities**	347,321	1,585,521	8	388,781	1,795,003	10
1780	Intangible assets (note 6(g))	13,979	63,812	-	17,645	81,468	-		**Total liabilities**	1,902,415	8,684,522	46	1,552,730	7,168,951	42
1840	Deferred income tax assets (note 6(n))	40,073	182,931	1	34,235	158,062	1		**Equity attributable to owners of parent (notes 6(j) and 6(o)):**						
1915	Prepayments on purchase of equipment (notes 9)	39,322	179,503	1	76,101	351,358	2	3110	Share capital - common stock	191,908	924,505	5	192,423	926,975	5
1930	Long-term receivables, net (note 6(c))	30,756	140,401	1	15,727	72,610	-	3200	Capital surplus	676,407	3,073,227	16	695,529	3,167,374	19
1995	Other non-current assets (notes 6(h) and 8)	38,856	177,377	1	17,708	81,760	-	3300	Retained earnings	1,416,739	6,776,104	34	1,342,427	6,433,732	36
	Total non-current assets	1,442,717	6,585,998	35	1,146,040	5,291,268	29	3410	Exchange differences on translation of foreign financial statements	(35,641)	(505,265)	(1)	(21,836)	(325,284)	(1)
								3500	Treasury stocks	-	-	-	(19,637)	(96,617)	(1)
									Equity attributable to owners of the parent	2,249,413	10,268,571	54	2,188,906	10,106,180	58
									Non-Controlling Interest:						
								36XX	Non-Controlling Interest (note 6(e))	(913)	(4,168)	-	1,925	8,888	-
									Total equity	2,248,500	10,264,403	54	2,190,831	10,115,068	58
	Total assets	**$ 4,150,915**	**18,948,925**	**100**	**3,743,561**	**17,284,019**	**100**		**Total liabilities and equity**	**$ 4,150,915**	**18,948,925**	**100**	**3,743,561**	**17,284,019**	**100**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(All Amount Expressed in thousands of Chinese Yuan)

		2017 Amount	%	2016 Amount	%
4000	**Operating revenue (notes 6(q), 7, and 14)**	$ 1,319,899	100	1,348,654	100
5000	**Cost of goods sold (notes 6(d), 6(m), 6(r), 7, and 12)**	604,367	46	541,288	40
	Net operating margin	715,532	54	807,366	60
	Operating expenses (notes 6(c), 6(g), 6(h), 6(m), 6(r), 7, 9, and 12):				
6100	Selling expenses	277,727	21	227,121	17
6200	General and administrative expenses	156,672	12	143,988	11
6300	Research and development expenses	27,585	2	21,375	2
	Total operating expenses	461,984	35	392,484	30
	Operating Profit	253,548	19	414,882	30
	Non-operating income and expenses (notes 6(j), 6(s), and 7):				
7010	Other income	12,513	1	15,561	1
7020	Other gains and losses	24,175	2	(31,780)	(2)
7050	Financial costs	(33,421)	(3)	(20,377)	(2)
	Total non-operating income and expenses	3,267	-	(36,596)	(3)
7900	**Profit before income tax**	256,815	19	378,286	27
7950	**Income tax expense (note 6(n))**	44,046	3	66,569	5
	Net income for the year	212,769	16	311,717	22
8300	**Other comprehensive income (loss):**				
8360	**Items that may be subsequently reclassified into profit or loss**				
8361	Foreign currency translation differences for foreign operations	(13,986)	(1)	4,269	-
8399	Income tax relating to components of other comprehensive income	-	-	-	-
	Total items that may be subsequently reclassified into profit or loss	(13,986)	(1)	4,269	-
	Other comprehensive income (loss), net of tax	(13,986)	(1)	4,269	-
8500	**Total comprehensive income for the year**	**$ 198,783**	**15**	**315,986**	**22**
	Profit attributable to:				
8610	Shareholders of the parent	$ 215,426	16	312,877	22
8620	Non-controlling interest	(2,657)	-	(1,160)	-
		$ 212,769	16	311,717	22
	Comprehensive income attributable to:				
8720	Shareholders of the parent	$ 201,621	15	316,950	22
8720	Non-controlling interest	(2,838)	-	(964)	-
		$ 198,783	**15**	**315,986**	**22**
9710	**Basic earnings per share (expressed in Chinese Yuan) (note 6(p))**	**$**	**2.33**		**3.38**
9810	**Diluted earnings per share (expressed in Chinese Yuan) (note 6(p))**	**$**	**2.32**		**3.36**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(All Amount Expressed in thousands of New Taiwan Dollars)

		2017 Amount	%	2016 Amount	%
4000	**Operating revenue (notes 6(q), 7, and 14)**	$ 5,948,520	100	6,539,490	100
5000	**Cost of goods sold ((notes 6(d), 6(m), 6(r), 7, and 12)**	2,723,760	46	2,624,652	40
	Net operating margin	3,224,760	54	3,914,838	60
	Operating expenses (notes 6(c), 6(g), 6(h), 6(m), 6(r), 7, 9, and 12):				
6100	Selling expenses	1,251,659	21	1,101,288	17
6200	General and administrative expenses	706,090	12	698,183	11
6300	Research and development expenses	124,319	2	103,645	2
	Total operating expenses	2,082,068	35	1,903,116	30
	Operating Profit	1,142,692	19	2,011,722	30
	Non-operating income and expenses (notes 6(j), 6(s), and 7):				
7010	Other income	56,395	1	75,455	1
7020	Other gains and losses	108,952	2	(154,100)	(2)
7050	Financial costs	(150,623)	(3)	(98,806)	(2)
	Total non-operating income and expenses	14,724	-	(177,451)	(3)
7900	**Profit before income tax**	1,157,416	19	1,834,271	27
7950	**Income tax expense (note 6(n))**	198,506	3	322,786	5
	Net income for the year	958,910	16	1,511,485	22
8300	**Other comprehensive income (loss):**				
8360	**Items that may be subsequently reclassified into profit or loss**				
8361	Foreign currency translation differences for foreign operations	(180,912)	(3)	(762,163)	(12)
8399	Income tax relating to components of other comprehensive income	-	-	-	-
	Total items that may be subsequently reclassified into profit or loss	(180,912)	(3)	(762,163)	(12)
	Other comprehensive income (loss), net of tax	(180,912)	(3)	(762,163)	(12)
8500	**Total comprehensive income for the year**	**$ 777,998**	**13**	**749,322**	**10**
	Profit attributable to:				
8610	Shareholders of the parent	$ 971,035	16	1,517,110	22
8620	Non-controlling interest	(12,125)	-	(5,625)	-
		$ 958,910	16	1,511,485	22
	Comprehensive income attributable to:				
8710	Shareholders of the parent	$ 791,054	13	754,361	10
8720	Non-controlling interest	(13,056)	-	(5,039)	-
		$ 777,998	**13**	**749,322**	**10**
9710	**Basic earnings per share (expressed in New Taiwan Dollars) (note 6(p))**	**$**	**10.50**		**16.41**
9810	**Diluted earnings per share (expressed in New Taiwan Dollars) (note 6(p))**	**$**	**10.46**		**16.28**

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Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

(All Amount Expressed in thousands of currency)

	Equity attributable to owners of parent																			
					Retained Earnings															
	Share capital - Common stock		Capital surplus		Legal reserve		Undistributed earnings		Total		Foreign currency translation differences		Treasury stocks		Equity attributable to owners of the parent		Non-controlling interest		Total equity	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	NCY	TWD
Balance at January 1, 2016	$ 192,423	926,975	695,529	3,167,374	97,063	471,001	1,058,626	5,074,284	1,155,689	5,545,285	(25,909)	437,465	(19,637)	(96,617)	1,998,095	9,980,482	-	-	1,998,095	9,980,482
Appropriation and distribution of retained earnings:																				
Legal reserve	-	-	-	-	32,006	156,702	(32,006)	(156,702)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(126,139)	(628,663)	(126,139)	(628,663)	-	-	-	-	(126,139)	(628,663)	-	-	(126,139)	(628,663)
Consolidated profit for the year	-	-	-	-	-	-	312,877	1,517,110	312,877	1,517,110	-	-	-	-	312,877	1,517,110	(1,160)	(5,625)	311,717	1,511,485
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	4,073	(762,749)	-	-	4,073	(762,749)	196	586	4,269	(762,163)
Total comprehensive income, net of income tax	-	-	-	-	-	-	312,877	1,517,110	312,877	1,517,110	4,073	(762,749)	-	-	316,950	754,361	(964)	(5,039)	315,986	749,322
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,889	13,927	2,889	13,927
Balance at December 31, 2016	192,423	926,975	695,529	3,167,374	129,069	627,703	1,213,358	5,806,029	1,342,427	6,433,732	(21,836)	(325,284)	(19,637)	(96,617)	2,188,906	10,106,180	1,925	8,888	2,190,831	10,115,068
Appropriation and distribution of retained earnings:																				
Legal Reserve	-	-	-	-	34,054	151,711	(34,054)	(151,711)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(141,114)	(628,663)	(141,114)	(628,663)	-	-	-	-	(141,114)	(628,663)	-	-	(141,114)	(628,663)
Consolidated profit for the year	-	-	-	-	-	-	215,426	971,035	215,426	971,035	-	-	-	-	215,426	971,035	(2,657)	(12,125)	212,769	958,910
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	(13,805)	(179,981)	-	-	(13,805)	(179,981)	(181)	(931)	(13,986)	(180,912)
Total comprehensive income, net of income tax	-	-	-	-	-	-	215,426	971,035	215,426	971,035	(13,805)	(179,981)	-	-	201,621	791,054	(2,838)	(13,056)	198,783	777,998
Retirement of treasury stock	(515)	(2,470)	(19,122)	(94,147)	-	-	-	-	-	-	-	-	19,637	96,617	-	-	-	-	-	-
Balance at December 31, 2017	**$ 191,908**	**924,505**	**676,407**	**3,073,227**	**163,123**	**779,414**	**1,253,616**	**5,996,690**	**1,416,739**	**6,776,104**	**(35,641)**	**(505,265)**	**-**	**-**	**2,249,413**	**10,268,571**	**(913)**	**(4,168)**	**2,248,500**	**10,264,403**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(All Amount Expressed in thousands of currency)

	2017		2016	
	CNY	TWD	CNY	TWD
Cash flows from operating activities:				
Profit before tax	$ 256,815	1,157,416	378,286	1,834,271
Adjustments:				
Adjustments to reconcile profit and loss				
Depreciation	115,203	519,203	105,198	510,099
Amortization	4,203	18,943	5,216	25,292
Amortization of prepaid rents	452	2,037	432	2,095
Provision for doubtful accounts (reversal)	(1,007)	(4,538)	21,963	106,496
Interest income	(6,536)	(29,456)	(3,700)	(17,940)
Financial cost	33,421	150,623	20,377	98,806
Repurchase loss of bond payable	-	-	2,912	14,320
Financial liabilities at fair value through profit or loss	-	-	(39)	(194)
Bond payable effect of change in exchange rate	-	-	14,120	-
Loss on disposal of property, plant, and equipment	12,595	56,764	4,814	23,346
Gain on disposal of investment	-	-	(40)	(189)
Total adjustments to reconcile profit and loss	158,331	713,576	171,253	762,131
Change in operating assets and liabilities:				
Decrease (increase) in notes receivable	2,842	13,481	(4,039)	(18,648)
Decrease (increase) in accounts receivable	220,596	1,066,975	(138,701)	(640,383)
Decrease (increase) in accounts receivable from related parties	(1,113)	(3,924)	(7,562)	(34,914)
Decrease (increase) in other receivables	(22,566)	(100,922)	(25,659)	(118,468)
Decrease (increase) in other receivables from related parties	27,330	126,909	14,125	65,215
Decrease (increase) in inventory	(20,493)	(70,854)	(93,242)	(430,498)
Decrease (increase) in prepayments	(4,464)	(18,690)	(9,292)	(42,901)
Decrease (increase) in other financial assets	(917)	(3,541)	(6,703)	(28,816)
Increase (decrease) in notes payable	4,434	20,190	(1,693)	(7,817)
Increase (decrease) in accounts payable	(10,415)	(52,457)	22,093	102,003
Increase (decrease) in other payables	33,144	144,702	35,681	164,739
Increase (decrease) in other payables to related parties	(289)	(1,446)	2,443	11,280
Increase (decrease) in provisions for liabilities	8,624	38,745	4,835	22,323
Cash provided by operating activities	651,859	3,030,160	341,825	1,639,517
Income taxes paid	(75,391)	(341,916)	(63,941)	(310,044)
Net cash flows from operating activities	576,468	2,688,244	277,884	1,329,473
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(373,930)	(1,685,226)	(66,269)	(321,339)
Decrease (increase) in prepayments on purchase of equipment	5,300	24,193	(111,858)	(516,448)
Acquisition of intangible	(210)	(961)	(5,740)	(28,518)
Decrease (increase) in long-term receivables	(15,029)	(67,791)	8,990	50,852
Decrease (increase) in other current assets	(180,131)	(816,866)	(9,691)	(8,901)
Decrease (increase) in other non-current assets	(21,600)	(98,604)	461	2,235
Interest received	6,536	29,456	3,700	17,940
Net cash flows pay in investing activities	(579,064)	(2,615,799)	(180,407)	(804,179)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	220,694	961,084	195,671	639,908
Proceeds from long-term bank loans	109,530	500,000	231,752	1,070,000
Repayment of long-term bank loans	-	-	(97,466)	(450,000)
Cash dividends paid	(141,114)	(628,663)	(126,139)	(628,663)
Repayment of issuance of bonds payable	-	-	(54,669)	(261,100)
Change in Noncontrolling interest	(2,838)	(13,056)	2,889	13,927
Interest paid	(30,357)	(136,815)	(17,185)	(83,329)
Net cash flows from financing activities	155,915	682,550	134,853	300,743
Effect of exchange rate changes on cash and cash equivalents	(24,669)	(206,354)	7,492	90,949
Net increase (decrease) in cash and cash equivalents	128,650	548,641	239,822	916,986
Cash and cash equivalents, beginning of the year	743,195	3,431,333	503,373	2,514,347
Cash and cash equivalents, end of the year	**$ 871,845**	**3,979,974**	**743,195**	**3,431,333**

See accompanying notes to financial statements.

(1) Company history

Ginko International Co., Ltd. (the "Company") was incorporated in the Cayman Islands on June 11, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on Taipei Exchange Securities Market R.O.C. ("Taipei Exchange" TPEx) on April 27, 2012. The consolidated financial statements of the company as of and for the year ended December 31, 2017 and 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a major supplier of eye health products, including contact lenses, lens care products and medicines which engages mainly in the researching, manufacturing and selling.

(2) Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 7th, 2018.

(3) New accounting standards, amendments and interpretations not yet adopted

The new standards, amendments and interpretations issued by the IASB but not yet in effect that may impact the consolidated financial statements are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with Insurance Contracts"	January 1, 2021
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainy over income Tax Treatments"	January 1, 2019
Amendments to IFRS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

i) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

ii) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model.The Group believes that the adoption of IFRS 9 would not have any material impact on its consolidated financial statements.

iii) Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the new requirements of IFRS 9.

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. Under IAS 39, the change in fair value of the forward element of the forward exchange contracts is recognized immediately in profit or loss. On adoption of IFRS 9, the Group has elected to separately account for the forward points as a cost of hedging. Consequently, the changes in forward points will be recognized in OCI and accumulated in a cost of hedging reserve as a separate component within equity and accounted for subsequently like gains and losses accumulated in the cash flow hedge reserve.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognized.

The types of hedge accounting relationships that the Group currently designates meet the requirements of IFRS 9 and are aligned with the entity's risk management strategy and objective.

The Group believes that the adoption of IFRS 9 would not have any material impact on its consolidated financial statements.

iv) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

The new hedge accounting requirements should generally be applied prospectively. However, the Group has decided to apply the accounting for the forward element of forward contracts retrospectively.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

The determination of the business model within which a financial asset is held.

The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

i) Sales of goods

For the sale of *A* products, revenue is currently recognized when the goods are delivered to the *customers' premises*, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the goods are delivered to the *customers' premises*.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

ii) Commission

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent for certain transactions. Under IFRS 15, the assessment will be based on the whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

Based on its assessment, the Group does not expect the application of IFRS 15 to have any significant impact on its consolidated financial statements.

iii) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January 1 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. January 1 2018) will not be restated.

The Group believes that the transaction above would not have any material impact on its consolidated financial statements.

(c) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(d) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group believes that the amendment above would not have any material impact on its consolidated financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(a) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and IFRSs which including international accounting standards and interpretations issued by the IASB.

(b) Basis of preparation

i) Basis of measurement

The accompanying consolidated financial statements have been prepared on the basis of the historical cost except for the compound financial instruments are measured at fair value.

ii) Functional and presentation currency

The functional currency of the Company and subsidiary in Taiwan is New Taiwan Dollars and that of the subsidiaries in Mainland China is Chinese Yuan. The consolidated financial statements are presented in New Taiwan Dollars and Chinese Yuan respectively.

(c) Basis of consolidation

i) Principle of preparation of the consolidated financial statement

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

ii) List of subsidiaries included in the consolidated financial statement:

Subsidiary	Notes	Establishment Location and date	Shareholding ratio Direct	Shareholding ratio Indirect	Paid-in / Registered capital	Nature of business
Prosper Link International Limited (Prosper Link)		British Virgin Islands September 5, 2007	100%	-	USD 4,280 thousand / USD 4,280 thousand	Holding company
Yungsheng Optical Co., Ltd. (Yungsheng Corporation)		Taiwan October 14, 1995	100%	-	TWD1,560,000 thousand/ TWD 1,560,000 thousand	Manufacturing and selling contact lens and contact lens solution
Haichang International Ltd. (Haichang International)		Hong Kong October 9, 2007	-	100%	HKD 11,000 thousand / HKD 11,000 thousand	Holding company
Haichang Contact Lens Co., Ltd. (Haichang Corporation)	(a)	China November 17, 1995	-	100%	USD 56,319 thousand / USD 56,319 thousand	Manufacturing and selling of contact lens, contact lens solution and other eye-related appliance

(Continued)

Subsidiary	Notes	Establishment Location and date	Shareholding ratio Direct	Indirect	Paid-in / Registered capital	Nature of business
Jiangsu Horien Contact Lens Co., Ltd. (Horien Corporation)	(a)	China April 11, 2005	-	100%	CNY 15,000 thousand / CNY 15,000 thousand	Manufacturing and selling of contact lens, contact lens solution and other eye-related appliance
Shanghai Horien Contact Lens Optical Co., Ltd (Shanghai Horien)	(a)	China April 19, 2010	-	100%	CNY 75,000 thousand / CNY 75,000 thousand	Selling of contact lens and eye care solution
Gain Bless Management Ltd. (Gain Bless)		British Virgin Islands July 28, 2015	-	100%	USD 1,150 thousand / USD 1,150 thousand	Holding Company
Horien Optic (Malaysia) Sdn. Bhd. (Horien Malaysia)	(b)	Malaysia May 12, 2014	-	70%	MYR 2,500 thousand / MYR 2,500 thousand	Selling of contact lens and eye care solution
Master Harvest Global Ltd. (Master Harvest)		Anguilla May 24, 2016	-	100%	USD 5,000 thousand / USD 5,000 thousand	Holding Company
Yungsheng Japan	(c)	Japan April 22,2014	-	70%	JPY 90,000 thousand / JPY 90,000 thousand	Selling of contact lens and eye care solution
Shanghai Fushiyuan Contact Lens Co., Ltd. (Shanghai Fushiyuan)	(a) and (d)	China September 28, 2016	-	100%	CNY 15,000 thousand / CNY 15,000 thousand	Selling of contact lens and eye care solution

(a) : Haichang Corporation, Horien Corporation, Shanghai Horien and Shanghai Fushiyuan were established in China and indirectly controlled by the Company.

(b) : Gain Bless acquired Horien Malaysia's full control on January 4, 2016.

(c) : Master Harvest acquired Yungsheng Japan's full control on August 1, 2016.

(d) : Haichang Corporation, injected capital to Shanghai Fushiyuan on December 14, 2016.

iii) Subsidiaries excluded from consolidation : None.

(d) Business combinations

A business combination must be accounted for by applying the acquisition method beginning from the acquisition date in which the acquirer acquired the controlling of the acquiree. Controlling means the acquirer has the power to determine the financial and operating policies of the acquiree so as to obtain benefits from its activities.

Goodwill, which the acquirer recognized at the acquisition date, is measured as an aggregation of the consideration transferred (which is generally measured at fair value according to IFRS3 at the acquisition date) and the amount of non-controlling interest of the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(Continued)

If the residual balance stated above is negative, the Group should recognize a gain on the bargain purchase thereafter.

In a business combination is achieved in stages, the Group shall measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

All the transaction costs incurred for business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

Contingent consideration in a business combination that is not classified as an equity instrument is subsequently measured at fair value, with the corresponding gain or loss recognised either in profit or loss or other comprehensive income in accordance with IFRS 9.

If at acquisition date the acquiree has loss carryforward or other deductible temporary differences which are inconsistent with the definition of deferred tax assets, the changes of deferred tax assets should be recognized in profit or loss.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Non-monetary claims and liabilities in foreign currency transactions are based on exchange rates at the transaction dates; dividend is measured by the exchange rate on the declaration date; income and expenses are translated at the average exchange rates.

Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

(f) Classification of current and non-current assets and liabilities

An asset is classified as current when:

i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle;

ii) It is held primarily for the purpose of trading;

iii) It is expected to be realized within twelve months after the reporting period; or

iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

i) It is expected to be settled during its normal operating cycle;

ii) It is held primarily for the purpose of trading;

iii) The liability is due to be settled within twelve months after the reporting period; or

iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and certificate deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used for the purpose of meeting short-term commitments.

(h) Financial instruments

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

i) Financial assets

i. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

ii. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

(Continued)

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

For the receivables, an impairment loss is reflected in an allowance account. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from the written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss, and they are included in administrative expense.

iii. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

ii) Financial liabilities and equity instruments

i. Classification of debt or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense. On conversion, financial liability is reclassified to equity, without recognized any gain or loss.

ii. Financial liabilities at fair value through profit or loss

A hybrid instrument is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in "non-operating income and expenses".

iii. Other financial liabilities

Financial liabilities are not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance cost.

iv. Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses".

v. Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the relevant book value of stock should be-expensed as incurred with the revenue recognized on. The Group write-off book value and related losses, loss should be recognized as an annual loss for the period. If the change of circumstances has an impact in the increase of net realizable value, the Group should revere it as the deduction of cost of goods sold.

(j) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, and is included in non-operating income and expenses.

ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

(Continued)

The estimated useful lives of property, plant and equipment for the current and comparative years of significant items are as follows:

i.	Building	20~50 years
ii.	Leasehold improvements	Shorter of the lease term and estimated useful life (usually about 10 years)
iii.	Machinery	5~10 years
iv.	Transportation equipment	3~5 years
v.	Other equipment	2~15 years

(k) Leased assets

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

The land ownership is not transferred if the benefits and risks of the land lease are not fully transfer, and will be treated as operating leases. It is measured at cost less accumulated amortization and accumulated impairment losses. The long-term prepaid rents of land leasehold rights are recognized periodically as rent expenses on a straight-line basis.

(l) Intangible assets

i) Goodwill

i. Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets. Goodwill is the part of acquisition cost over the fair value of identifiable assets under the acquisition method. Goodwill is measured at its initial cost less accumulated impairment losses.

ii. Measurement

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of the investment under equity method includes goodwill, so the related impairment loss is recognized as part of the carrying amount, because it can't be allocated to goodwill or other assets.

ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

iv) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Except for goodwill and intangible assets with infinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

i.	Trademark rights	10~20 years
ii.	Patents	7~20 years
iii.	Technology know-how	10 years
iv.	License, chartered right and customer relationship	3~5 years
v.	Computer software cost	3 years

(m) Impairment—Non-derivative financial assets

Non-derivative financial assets except for inventories and deferred tax assets are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

Recovery of goodwill are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Reversal of an impairment loss for goodwill is prohibited.

(Continued)

(n) Borrowing costs

Borrowing costs are recognized as an expense when they occur. However, borrowing costs which directly attributable to the acquisition, construction or production that necessarily takes a substantial period of time to get ready for its intended use or sale are included in the cost of the asset (capitalization).

Borrowing costs which are parts of assets costs should be capitalized when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should be suspended or ceased during periods in which active development is interrupted or all of the activities necessary to prepare the asset for its intended use or sale are complete.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue

Revenue is recognized when it is probable that the future economic benefits attributable to the asset will flow to the entity, and the amount of revenue and cost can be measured reliably on current period is as follows:

i) Sales revenue—revenue of selling products should be recognized when the significant risks and rewards are transferred to the customers. The recognized amount is measured at fair value of the consideration received or receivable net of business tax, other sales tax, sales returns and discounts. When recognizing sales revenue, sales costs should be measured reliably while the company does not participate in the subsequent management of the transferred products.

ii) Distribution revenue—distribution revenue should be recognized when the distribution service is provided and the collectability could be measured reliably.

iii) Financial revenue—interest revenue is recognized at effective interest rate.

(q) Employee benefits

Wages, salaries, bonuses and employee welfare should be recognized during the employees rendering the services in the consolidated company. If the terms of payment are long, the company should recognize at a discount rate.

According to the regulations of P.R.C., R.O.C, Malaysia, and Japan pensions cost other than which is allocated to inventory costs should be recognized as expenses when it occur.

(r) Share-based payment

The Group recognizes the costs of issuing the employee stock warrants under fair value method. Accordance with the regulation of the employee stock warrants plan, the Group recognizes expenses during the vesting period, and increase the paid-in capital under equity account.

Employee stock warrants plan is estimated the fair value of warrants on the grant date under binominal option pricing model. Employees of the Group should conform to the vesting conditions of employee stock warrants so they could get the warrants unconditionally. The Group estimates the fair value and considers the probability that warrant owners get the warrants during the vesting period.

Under the vesting period, the expected implement of employee stock warrants has to inspect periodically. Any changes of fair value in prior years should be adjusted on current gains or losses and paid-in capital excluding the original cost of services which complies with assets recognition principles.

Subsequent information shows that the Group should amend the estimated amount if there is a difference between the expected vesting amount and estimated amount. Except for unfulfilling vesting conditions and waiving the right due to the market value, the Group should adjust the recognized expenses and paid-in capital to reflect the final amount of equity instruments.

(s) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against the existing capital reserves arising from similar types of treasury shares. If there are any insufficient capital reserves to be offset, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under the existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against the existing capital reserves arising from similar types of treasury shares. If there are any insufficient capital reserves to be offset, then such losses should be accounted for under retained earnings.

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

i) Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not be reversed.

iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

i. levied by the same taxing authority; or

ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition date, as well as the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition date fair value; and the resulting gain or loss, if any, is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting is incomplete are reported in the Group' s financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect any new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred the business combination are recognized immediately as the Group' s expenses when incurred, except for the issuance on debt or equity instruments.

(u) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible notes and employee stock options.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Major sources of accounting assumptions, judgments, and estimation uncertainty

The preparation of the consolidated financial statements requires the Group to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information on critical judgments in applying accounting policies that have the most significant effect to the amounts recognized in the consolidated financial statements are as follows:

(a) Net realizable value of inventories

Based on production cost and net realizable value of inventories, the company evaluated price because of normal deterioration, aging, or no market's demand, then transfer inventory costs to net realizable value. Inventory evaluation is depending on the unique of products, and when needed from marketing demand, the prices might change. Therefore, this may influence the change of sales demand to realizable value of inventories. For more details of inventory evaluation, please refer to consolidated financial report of Notes 6(c) and (d).

(b) Revenue Recognition

Based on agreement contract, historical experiences, marketing and economic conditions and other reasons, which might also happened in sales' return and allowance, the Group marked the sales of product as revenues' deduction and periodic inspection of estimates' reasonableness. Because of competition in marketing prices and development of producing skills, these might cause majority change in prices. For more details of revenues' return and allowance, please refer to consolidated financial report of Notes 6(c) and (q).

(c) Impairment loss of accounts receivable and other receivables

Based on historical experiences, market and economic conditions, and other reasons, which might happened in impairment loss of accounts receivable, the Group periodic inspection of estimates' reasonableness. For more details of impairment loss of accounts receivable, please refer to consolidated financial report of Notes 6(c).

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Cash on hand	$ 865	3,950	8,427	38,906
Check deposits	142	648	24	109
Demand deposits	608,048	2,775,740	474,799	2,192,152
Certificate deposits	262,790	1,199,636	259,945	1,200,166
Total	**$ 871,845**	**3,979,974**	**743,195**	**3,431,333**

(b) Other financial assets

Item	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Restricted deposits	**$ 284,637**	**1,299,369**	**104,506**	**482,503**

The restricted deposits were the certificate of deposits pledged by using the bank loans of the Company, Haichang Corporation, and Shanghai Horien Corporation.

(c) Notes receivable, accounts receivable and other receivables

i) The details were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Notes receivable	$ 6,975	31,842	9,817	45,323
Accounts receivable	1,014,270	4,630,143	1,224,356	5,652,849
Accounts receivable from related parties	23,370	106,686	22,257	102,762
Other receivables	62,748	286,442	40,182	185,520
Other receivables from related parties	13,993	63,878	41,323	190,787
Long-term receivables	83,956	383,258	31,437	145,145
	1,205,312	5,502,249	1,369,372	6,322,386
Less: allowance for uncollectible accounts	84,964	387,861	85,971	396,928
allowance for sales returns	48,000	219,120	-	-
	$ 1,072,348	**4,895,268**	**1,283,401**	**5,925,458**

ii) The movement in the allowance for uncollectible accounts were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Beginning balance	$ 85,971	396,928	64,008	319,720
Recognized impairment loss (reversed)	(1,007)	(4,538)	21,963	106,496
Effect of change in exchange rates	-	(4,529)	-	(29,288)
	$ 84,964	**387,861**	**85,971**	**396,928**

Aging analysis of the receivables which were overdue but not impaired were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Past due less than 30 days	$ 46,078	210,346	89,492	413,185
Past due 31 - 90 days	74,407	339,669	108,090	499,052
Past due 91 - 180 days	211,460	965,315	135,631	626,208
Past due 181 - 365 days	95,604	436,434	140,893	650,503
Past due more than 1 year	10,562	48,213	15,727	72,610
	$ 438,111	**1,999,977**	**489,833**	**2,261,558**

(Continued)

(d) Inventory

i) The details were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Finished goods	$ 245,719	1,121,707	202,162	933,380
Work in process	164,302	750,039	177,166	817,977
Raw materials	38,156	174,183	50,519	233,246
Low value consumables	8,807	40,204	6,644	30,676
	$ 456,984	**2,086,133**	**436,491**	**2,015,279**

ii) Cost of goods sold recognized in 2017 and 2016 were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
Cost of inventories sold	$ 538,094	2,425,081	507,247	2,459,591
Allowance for inventory abandonment loss	43,940	198,029	31,103	150,816
Allowance for inventory obsolescence loss(reversed)	14,610	65,844	(748)	(3,626)
Inefficient yield loss	7,723	34,806	3,686	17,871
	$ 604,367	**2,723,760**	**541,288**	**2,624,652**

(e) Purchased subsidiary corporations

i) Acquired Horien Malaysia

On January 4, 2016, the Group has paid USD 971 thousand (CNY 6,422 thousand ; TWD 32,053 thousand) to obtain control of Horien Optic (Malaysia) Sdn. Bhd. by acquiring 70% of its shares and voting interests. Before the acquisition date, the stockholders' rights and the board of directors reelection registration have been discussed and reported to the local authorities by December 1, 2016.

Horien (Malaysia) was one of the Ginko's overboard clients, and also a major supplier of eye care products, including contact lenses and lens care solutions. After the acquisition date, the Group fully obtained its clients and marketing share, which also benefitted the Group of expanding its market in Southeast Asian.

Since the acquisition date on December 31, 2016, the Group recognized the revenue of CNY 2,444 thousand (TWD 11,851 thousand) and the net loss of CNY 2,503 thousand (TWD 12,137 thousand). Prior to the acquisition date, the external costs amounted to CNY 23 thousand (TWD 112 thousand).

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquistion date:

	CNY	TWD
Consideration transferred	$ 6,422	32,053
Intangible assets - clients relations	5,153	25,721
Property, plant, and equipment	119	592
Inventory	2,530	12,628
Accounts receivable and other receivables	1,511	7,541
Cash	1,471	7,343
Accounts payable and other payables	(2,185)	(10,905)
Taxes payable	(5)	(23)
Other liabilities	(934)	(4,663)
Non-controlling interest	(1,238)	(6,181)
Identifiable net assets	$ 6,422	32,053

ii) Acquired Yungsheng Japan Co.

On August 1, 2016, the Group has paid JPY 10,000 thousand (CNY 649 thousand ; TWD 3,089 thousand) to obtain control over Yungsheng Japan Optical Co., Ltd. by acquiring 100% of its shares of voting interests. Before the exchange has occured, the stockholders' rights have been discussed and reported to the local authorities. In addition, the names of legal representatives and supervisors that have been reelected have been registered on August 12th, 2016.

On August 2nd, 2016, the Group sold 30% of YungSheng Japan's shares and voting interests to external strategic investors, with the disposal price of JPY 3,531 thousand (CNY 231 thousand ; TWD 1,101 thousand).

Before acquisition date, YungSheng Japan was a consulting firm which helped the Group to apply licenses of selling and manufacturing contact lenses from the Ministry of Heath, Labour, and welfare of Japan. After acquiring YungSheng Japan, the acquiree has now become one of a major suppliers in Japan, which focuses on the manufacturing of eye care products, contact lenses and lens care solutions. In addition, the acquisition has also benefitted the Group of expanding its market in Japan.

Since the Group has taken fully control of YungSheng Japan on December 31, 2016, the Group has recognized a revenue of CNY 330 thousand (TWD 1,602 thousand) and a net loss of CNY 1,364 thousand (TWD 6,614 thousand). Prior to the acquisition date, the external costs amounted to CNY 5 thousand (TWD 27 thousand).

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquistion date:

	CNY	TWD
Consideration transferred	$ 649	3,089
Intangible assets - franchise	585	2,787
Accounts receivable and other receivables	95	449
Cash	49	233
Other current assets	30	141
Account payable	(63)	(298)
Other current liabilities	(47)	(223)
Identifiable net assets	$ 649	3,089

(f) Property, plant and equipment

2017

	Beginning balance		Additions		Disposals		Reclassification and exchange rate difference		Ending balance	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Cost:										
Building	$ 362,661	1,674,407	20,801	93,746	(119)	(536)	2,482	(6,325)	385,825	1,761,292
Leasehold improvements	79,814	368,502	3,693	16,642	(3,950)	(17,803)	478	(1,982)	80,035	365,359
Machinery	898,953	4,150,477	198,907	896,435	(21,142)	(95,281)	7,854	(547)	1,084,572	4,951,084
Transportation equipment	11,719	54,103	-	-	(267)	(1,202)	19	(538)	11,471	52,363
Other equipment	26,112	120,554	2,105	9,487	(331)	(1,490)	124	(687)	28,010	127,864
Construction in process	47,047	217,215	148,424	668,916	(4,315)	(19,446)	38,922	183,623	230,078	1,050,308
Subtotal	1,426,306	6,585,258	373,930	1,685,226	(30,124)	(135,758)	49,879	173,544	1,819,991	8,308,270
Accumulated depreciation:										
Building	70,337	324,745	17,025	76,728	(23)	(105)	230	(1,619)	87,569	399,749
Leasehold improvements	18,885	87,192	5,791	26,101	-	-	64	(352)	24,740	112,941
Machinery	329,207	1,519,952	87,801	395,703	(16,537)	(74,530)	543	(10,494)	401,014	1,830,631
Transportation equipment	7,550	34,855	1,056	4,760	(240)	(1,081)	6	(319)	8,372	38,215
Other equipment	15,703	72,504	3,530	15,911	(729)	(3,278)	61	(377)	18,565	84,760
Subtotal	441,682	2,039,248	115,203	519,203	(17,529)	(78,994)	904	(13,161)	540,260	2,466,296
Property, plant and equipment, net	$ 984,624	4,546,010	258,727	1,166,023	(12,595)	(56,764)	48,975	186,705	1,279,731	5,841,974

2016

	Beginning balance		Additions		Disposals		Reclassification and exchange rate difference		Ending balance	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Cost:										
Building	$ 248,169	1,239,606	3,040	14,741	-	-	111,452	420,060	362,661	1,674,407
Leasehold improvements	76,641	382,822	300	1,456	-	-	2,873	(15,776)	79,814	368,502
Machinery	817,464	4,083,234	10,718	51,980	(7,821)	(37,924)	78,592	53,187	898,953	4,150,477
Transportation equipment	10,228	51,086	1,342	6,506	-	-	149	(3,489)	11,719	54,103
Other equipment	22,788	113,824	1,849	8,963	(113)	(548)	1,588	(1,685)	26,112	120,554
Construction in process	23,235	116,059	49,020	237,693	-	-	(25,208)	(136,537)	47,047	217,215
Subtotal	1,198,525	5,986,631	66,269	321,339	(7,934)	(38,472)	169,446	315,760	1,426,306	6,585,258
Accumulated depreciation:										
Building	52,744	263,455	15,495	75,135	-	-	2,098	(13,845)	70,337	324,745
Leasehold improvements	12,666	63,268	5,632	27,310	-	-	587	(3,386)	18,885	87,192
Machinery	246,082	1,229,182	79,719	386,551	(3,025)	(14,667)	6,431	(81,114)	329,207	1,519,952
Transportation equipment	6,418	32,056	1,086	5,265	-	-	46	(2,466)	7,550	34,855
Other equipment	12,095	60,413	3,266	15,838	(95)	(459)	437	(3,288)	15,703	72,504
Subtotal	330,005	1,648,374	105,198	510,099	(3,120)	(15,126)	9,599	(104,099)	441,682	2,039,248
Property, plant and equipment, net	$ 868,520	4,338,257	(38,929)	(188,760)	(4,814)	(23,346)	159,847	419,859	984,624	4,546,010

(Continued)

Situations about the Group provided collateral and pledge guarantee of property, plant, and equipment, please see note 8.

(g) Intangible assets

i) Goodwill

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Beginning balance	$ 7,831	36,156	7,831	39,115
Effect of change in exchange rates	-	(407)	-	(2,959)
	$ 7,831	**35,749**	**7,831**	**36,156**

The goodwill was generated 100% equity shares from the acquisition of Shanghai Horien Corporation and Yung Sheng Corporation on April 1, 2013 and September 1, 2010, respectively.

ii) Others

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Original cost	$ 26,275	135,574	34,826	177,334
Plus: Additions	210	961	5,740	28,518
Less: Disposals	-	-	(14,291)	(70,278)
Less: Accumulated amortization	(20,535)	(93,742)	(16,332)	(75,405)
Effect of change in exchange rates	198	(14,730)	(129)	(14,857)
	$ 6,148	**28,063**	**9,814**	**45,312**

The accumulated amortization in 2017 and 2016 was as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Beginning balance	$ 16,332	75,405	25,407	126,908
Amortization for the year	4,203	18,943	5,216	25,292
Less: Disposals	-	-	(14,291)	(70,278)
Effect of change in exchange rates	-	(606)	-	(6,517)
	$ 20,535	**93,742**	**16,332**	**75,405**

The amortization expense of the trademark, patent, technology-know-how, concession, license, franchise and customer relationship were booked as general and administrative expenses in 2017 and 2016.

(Continued)

(h) Other non-current assets

i) Lease payment

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Beginning balance	$ 17,708	81,760	17,679	88,308
Plus: Additions	-	-	461	2,235
Less: Amortization for the year	(452)	(2,037)	(432)	(2,095)
Effect of change in exchange rates	-	(950)	-	(6,688)
	$ 17,256	**78,773**	**17,708**	**81,760**

Lease prepayments represent the payments for the land use rights of four pieces of land in Mainland China. The lease terms of the land use rights above are between 42 years and 50 years.

Please see note 8 about the land use rights of pledged assets.

ii) Provision for sales return and allowance—non-current

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
	$ 21,600	**98,604**	-	-

The provision for sales return and allowance is based on the reasonable estimated refund rates.

Please see note 6(c) about the allowance for sales returns.

(i) Bank loans

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Current:				
Secured loans	$ 560,312	2,557,827	381,142	1,759,733
Unsecured loans	552,437	2,521,873	489,913	2,261,926
Loans of letter of credit	-	-	21,000	96,957
Subtotal	1,112,749	5,079,700	892,055	4,118,616
Non-current:				
Secured loans	343,921	1,570,000	231,752	1,070,000
Subtotal	343,921	1,570,000	231,752	1,070,000
Total	**$ 1,456,670**	**6,649,700**	**1,123,807**	**5,188,616**
Interest rates		**1.38%~4.35%**		**1.33%~4.35%**

Please refer to note 8 for the Group's pledged assets as collateral for bank loans as of December 31, 2017 and 2016.

As of June 17, 2016, the Group signed a credit contract with Chang Hwa Commercial Bank, which is the leading bank of the syndicated loan; the total amount of loan commitments is to be used for the expansion of its factories and purchase of its machines and other relatives equipment. The remaining amount of loan is to be used for the liquidity of its working capital.

Based on the agreement, Yungsheng Corporation will have to cancel its previous contract regarding its properties located at No. 163-1, No. 246, No. 171, No. 171-1, and No. 171-2, Hengshen Road, Daya District, Taichung City, which were being pledged as collaterals, and allow Changhwa Bank to have the priority of rights for their mortgage.

The Group needed to ensure the participating banks that its ratio of investment in Yungsheng Corporation, Haichang Corporation, Horien Corporation, Shanghai Horien should not be less than 75% and it should have substantial control over the subsidiaries above. The Group cannot pledge its subsidiaries' collaterals and other liabilities to any third parties.

Upon the first withdrawal of its bank loans, Yungsheng Corp. should remit to Chunghwa Bank, every 3 months, an amount of no less than TWD200,000 thousand or its equivalent in foreign currency from its sales revenue.

Based on the agreement contract, the reimbursement date should be 5 years after the Group's first withdrawal from its bank loan.

The Group also has to comply with the financial covenants with Yungsheng Corporation based on its audited annual and semi-annual financial statements as follows: (If the Group should immediately repay the bank loan that has been used, if it breaches the above contract.)

i) Current ratio (current assets / current liabilities) should be higher than or equal to 100%;

ii) Liabilities ratio (total liabilities / tangible net value) should be less than or equal to 150%.

iii) Times interest earned [(profit before income tax+ interest expense + depreciation + amortization) / interest expense] should not be less than 3.

iv) Tangible net assets (total equity - intangible assets) should not be less than TWD 2.2 billion.

The banks of participating loan would check the financial ratios above in accordance with the semi-annual financial report of Yungsheng Corporation. After calculating the current ratio, the portion of outstanding debt, which exceeds one year, has to be transferred to long-term bank loan, with due of less than one year, and recognized as current liability.

As of December 31, 2017, the Group used its secured loan of CNY442,497 thousand (TWD2,020,000 thousand) for its capital expenditures, as well as compensation.

As of December 31, 2017 and 2016, the Group has not breached any of the contract above.

(j) Bonds payable

i) The Group's unsecured convertible bonds were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Convertible bonds issued	$ 421,363	2,000,000	421,363	2,000,000
Unamortized discounted on bonds payable	(1,676)	(7,652)	(4,648)	(21,460)
Accumulated conversion	(253,355)	(1,289,500)	(253,355)	(1,289,500)
Effect of change in exchange rates	(12,367)	-	(14,120)	-
	153,965	702,848	149,240	689,040
Less: due less than 1 year	153,965	702,848	-	-
	$ -	-	149,240	689,040
Equity portion -conversion options, included in additional paid in capital	$ 11,312	60,155	11,312	60,155

	2017		2016	
	CNY	TWD	CNY	TWD
Embedded derivative instruments - conversion options, included in other gains and losses	$ -	-	39	194
Interest expenses	$ 3,064	13,808	3,192	15,477

ii) On July 17, 2013 the Group issued the unsecured convertible bonds of TWD 2,000,000 thousand for broadening factory buildings, purchasing machinery and equipment, redeeming bank loans and enriching working capital. The major terms and conditions were as follows:

i. Issued period: 5 years, commencing from July 17, 2013 and maturing on July 17, 2018.

ii. Issued amount and denomination: The total issued amount was TWD 2,000,000 thousand, with a par value of TWD 100 thousand each unit, and issued at 100% of par value.

iii. Coupon rate: 0%

iv. Conversion right and target: As the rule, the Holders could request the company for converting the bonds to common shares based on the conversion price on the conversion date. The Group has the duty to issue new shares.

v. Conversion period: Holders will have the right to convert their bonds at any time during the conversion period, which commencing in August 18, 2013 (the next day following a month after the Closing Date) and ending at the close of business on July 7, 2018 (the 10th day prior to the Maturity Date).

vi. Conversion price and adjustment:

1) Conversion price was TWD 501 per share upon issuance.

(Continued)

2) The Group should adjust the conversion price using the formula of issue method if the share capital increases after the issuance. The Group adjusted the conversion price per share on July 26, 2017, July 25, 2016, August 22, 2015, July 23, 2014, and July 23, 2013 (ex-dividend based date) to TWD 455.9, TWD 469.4, TWD 479.1, TWD 489.9, and TWD 496.2, respectively.

vii. Redemption of bonds:

1) Redemption at the option of the Group:

The Group would redeem the bonds in accordance with the conversion rules if the stock closing price in Taipei Exchange Securities Market during the period of 30 consecutive trading dates exceeds 30% of the conversion price, or if the outstanding amounts of bonds are less than the 10% of the total issued amounts during the period commencing August 18, 2013 (the next day following a month after the Closing Date) and ending at the close of business on June 6, 2018 (the 40th day prior to the Maturity Date).

2) Redemption at mature date:

Unless the bonds have been previously redeemed or converted, the bonds will be redeemed by the Group on the Maturity Date at an amount equal to the principal amount of the bonds.

3) Redemption at the option of the Holders:

Each share holder has the right to require the Group to redeem the principal amount of bonds on July 17th of 2015 and 2016, at a redemption price equals to the principal amount of the bonds, with a yield-to-maturity of 0.5% per annum. If the bonds expire in two years, the interest payable refund from the bond conversion would be 1.00% of the par value of the bond. If they expire in three years, the interest payable refund from the bond conversion would be 1.51% of the par value of the bond.

(k) Other payables

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Accrued expense and others	$ 89,093	406,713	63,456	292,977
Accrued salary and reward	33,720	153,932	31,879	147,184
Advances from customers	12,870	58,750	10,429	48,151
Tax payable	24,428	111,512	21,203	97,895
	$ 160,111	**730,907**	**126,967**	**586,207**

Payables as mentioned above were expected to redeem within one year.

(l) Provisions for liabilities-current

	CNY	TWD
Balance on January 1, 2017	$ 11,972	55,276
Provisions made during the period	176,061	793,471
Provisions used during the period	(170,780)	(769,670)
Effect of change in exchange rates	3,343	14,944
Balance on December 31, 2017 (Current)	**$ 20,596**	**94,021**

	CNY	TWD
Balance on January 1, 2016	$ 7,137	35,649
Provisions made during the period	96,266	444,460
Provisions used during the period	(91,965)	(424,602)
Effect of change in exchange rates	534	(231)
Balance on December 31, 2016 (Current)	**$ 11,972**	**55,276**

(m) Employee benefit

	2017		2016	
	CNY	TWD	CNY	TWD
Pension	**$ 13,713**	**61,806**	**16,431**	**79,672**

(n) Income taxes

i) Income tax expense

The income tax expense for the years ended December 31, 2017 and 2016, were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
Current income tax expense				
Currently incurred	$ 56,201	253,288	63,235	306,620
Adjustment to prior year's income tax charged to current income tax	1,811	8,163	(3,872)	(18,775)
	58,012	261,451	59,363	287,845
Deferred tax expense				
The origination and reversal of temporary differences unrecognized tax losses	(13,966)	(62,945)	7,206	34,941
Income tax expenses	**$ 44,046**	**198,506**	**66,569**	**322,786**

(Continued)

Ginko, Prosper Link, Gain Bless, and Master Harvest are incorporated in no tax areas, so they had no income tax in 2017 and 2016.

There were no earnings incurred by Haichang International (Hong Kong) in 2017 and 2016. Therefore, it need not pay any income tax for the said years. However, according to the Income tax Act of Hong Kong, a tax rate of 16.5% will have to be applied if there is any earning incurred by a company.

According to the Income Tax Act of the People's Republic of China, the tax rate for Haichang Corporation, Horien Corporation, Shanghai Horien, and Shanghai Fushiyuan would be 25% if without tax incentive.

Haichang Corporation was qualified for the tax benefit on July 6, 2015, with the effective term from 2015 to 2017; therefore, the tax rate remains at 15%.

Horien Corporation was qualified for the tax benefit on December 3, 2013, with the effective term from 2014 to 2016; therefore, the tax rate remains at 15%.

Effective January 2008, all foreign investors have to pay 10% withholding tax because of the dividends declaration of companies in domestic China according to the tax law of the People's Republic of China. However, some specific foreign investors would qualify a decrease in tax of up to 5% according to Letter No.601 [2009] of the State Administration of Taxation on October 27, 2009.

The Company' s subsidiary in Hong Kong, Haichang International, acquired a notice from the Taxing Authority in Danyang city on July 26, 2013, wherein its withholding dividend tax rate had changed from 10% to 5% since January 2008.

According to the Income Tax Act of the Republic of China, the tax rate for Yungsheng Corporation should be 17%. Besides, Yungsheng Corporation should pay 10% surtax on its prior year unappropriated earnings.

The tax returns of Yungsheng Corporation have been examined and approved by the tax authority for the years though 2015.

The equity of Horien (Malaysia) did not exceed the amount of MYR 2,500 thousand; therefore, a tax rate of 19% will have to be applied according to the Income tax Act of Malaysia.

The equity of Yungsheng (Japan) did not exceed the amount of JPY100,000 thousand. Therefore, a tax rate of 22% will be applied for the portion of income with the amount of less than JPY8,000 thousand, and for that which exceeds JPY8,000 thousand, a tax rate of 30% is applied according to the Income Tax Act of Japan.

The Group's reconciliations of tax expenses and profit before tax in 2017 and 2016 were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
Profit before tax	$ 256,815	1,157,416	378,286	1,834,271
Computing tax using the Group's domestic tax rate	$ 49,970	225,206	95,771	464,384
Effect of tax rate in foreign jurisdiction	11,245	50,680	9,203	44,625
Tax-exempt income	(23,402)	(105,469)	(35,446)	(171,873)
Prior years income tax adjustment	1,811	8,163	(3,872)	(18,775)
China's subsidiaries' projected surplus' withholding tax	(3,844)	(17,325)	438	2,124
Non-deductible expenses	28	128	8	38
Other temporary differences	8,238	37,123	467	2,263
Total	$ 44,046	198,506	66,569	322,786

ii) Deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2017 and 2016 were as follows:

Deferred tax assets:

	Allowance for doubtful account		Loss carryforward		Others		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
January 1, 2017	$ 15,403	71,117	4,149	19,155	14,683	67,790	34,235	158,062
Recognized in profit (loss)	5,347	24,098	(4,250)	(19,155)	4,636	20,894	5,733	25,837
Effect of change in exchange rates	-	(491)	101	-	4	(477)	105	(968)
December 31, 2017	$ 20,750	94,724	-	-	19,323	88,207	40,073	182,931
January 1, 2016	$ 11,722	58,552	13,077	65,320	16,601	82,920	41,400	206,792
Recognized in profit (loss)	3,681	17,848	(9,521)	(46,165)	(1,960)	(9,505)	(7,800)	(37,822)
Effect of change in exchange rates	-	(5,283)	593	-	42	(5,625)	635	(10,908)
December 31, 2016	$ 15,403	71,117	4,149	19,155	14,683	67,790	34,235	158,062

Deferred tax liabilities:

	Customer relationship		Tax of earnings distributed		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
January 1, 2017	$ 545	2,517	7,244	33,446	7,789	35,963
Recognized in loss (profit)	(545)	(2,456)	(3,844)	(17,324)	(4,389)	(19,780)
Effect of change in exchange rates	-	(61)	-	(601)	-	(662)
December 31, 2017	$ -	-	3,400	15,521	3,400	15,521
January 1, 2016	$ 1,140	5,693	6,806	33,997	7,946	39,690
Recognized in loss (profit)	(595)	(2,885)	438	2,124	(157)	(761)
Effect of change in exchange rates	-	(291)	-	(2,675)	-	(2,966)
December 31, 2016	$ 545	2,517	7,244	33,446	7,789	35,963

(Continued)

(o) Capital and other equity interest

i) Share capital

As of December 31, 2017 and 2016, the Company issued common shares amounting to TWD 924,505 thousand (CNY 191,908 thousand) and TWD 926,975 thousand (CNY 192,423 thousand), respectively, with par value of TWD 10 per share.

ii) Nature and purposes of capital surplus

i. Share premium

According to the Cayman Islands Companies Law, the share premium issued could redeem the debts and maintain normal operating after dividend payments.

ii. Paid-in capital

Paid-in capital on consolidated financial statements consists of paid-in capital from equity restructuring, share premium, and share options of convertible bonds.

iii) Cumulative translation adjustment

Cumulative translation adjustment is the difference generated from foreign currency translation on the financial statements of China.

iv) Appropriations of retained earnings from subsidiaries which is the actual operating entity—PRC statutory reserve

According to the regulations of PRC and the Article of Incorporation of the subsidiaries registered in China, the subsidiaries should allocate retained earnings to statutory reserve fund permitted by the board of directors.

Statutory reserve fund may be used to offset a deficit (if any), or increase capital; however, the increased capital could not be less than 25% of registered capital.

According to the accounting regulations and rules of PRC, each subsidiary which is 100% held by the parent company in PRC has to allocate 10% of net income to general reserve fund before distributing dividends to shareholders, until the balance of reserve fund is up to 50% of registered capital.

v) Earnings distribution

According to the Article of Incorporation of the Company, the net profit of the Company for each financial year shall be allocated or used in the following order and proposed by the Directors in the Shareholders' meeting for approval:

i. To settle the applicable amount of income tax;

ii. To cover the losses of previous years, where applicable;

iii. To set aside ten percent (10%) as Legal Reserve unless the accumulated amount of such Legal Reserve equals the total paid-up capital of the Company;

iv. To set aside an amount as Special Reserve Pursuant to the Applicable Law;

(Continued)

v. A maximum of three percent (3%) of the net profit after deducting sub-paragraphs (i) to (iv) above shall be reserved for the purpose of Directors' and Supervisors' bonuses to be paid in cash (the allocation method shall be determined by the Directors after the members have approved the amount of the allocation);

vi. A maximum of ten percent (10%) of the net profit after deducting sub-paragraphs (i) to (iv) above shall be reserved for the purpose of employee bonuses to be paid in the form of cash and/or shares, including employees of any Affiliate satisfying such conditions to be prescribed by the Directors; and

vii. With respect to the earnings available for distribution (i.e. the net profit after deducting the items (i) to (vi) above, plus, previously unappropriated Retained Earnings), the Board may present a proposal to distribute the Shareholders' dividends at an annual general meeting for approval pursuant to the Applicable Law, provided such dividends may not be less than thirty percent (30%) of the difference between the net profit of the relevant financial year and the amounts in sub-paragraphs (i) to (vi) of this Article. Shareholders' dividends may be paid in the form of cash and/or bonus shares, provided that the portion of cash dividends shall not be less than thirty percent (30%) of the total dividends payable to the shareholders.

The Company had modified its Articles of Incorporation that were proposed at the board of directors' meeting on June 21, 2016.

The plan will be prepared by the following methods and order:

i. Tax payable complied with the tax regulations;

ii. Offsetting a deficit in prior years;

iii. Retaining 10% of its after-tax annual earnings as legal reserve according to related acts until it is equal to share capital;

iv. Retaining special reserve according to related regulations;

v. Based on the earnings of current year, after deducting the i to iv stated above and adding prior inappropriate earnings, the Company could get distributable net profit which convened by the board of directors and approved by the shareholders' meeting complied with related regulations. Distribution of profits to shareholders should not be less than 30% of earnings of the current year after deducting the i to iv stated above. Dividend to shareholders could be distributed by cash, bonus, and/or common stock, while distribution by cash could not be less than 30% of distribution of profits to shareholders.

On March 8, 2017 and June 21, 2016, the dividends to shareholders for 2016 and 2015 were as follows:

	2016		2015	
	Share distribution rate (in new Taiwan dollars)	TWD	Share distribution rate (in new Taiwan dollars)	TWD
Dividends attributable to ordinary shareholders:				
Cash	$ 6.80	628,663	6.80	628,663

vi) Treasury stock

For the years ended December 31, 2017 the Group repurchased 247 thousand of its treasury shares for its employees, which had been cancelled on Octobeer 25, 2017.

In 2017 and 2016 the number of outstanding shares was 0 and 247 thousand repectively.

In accordance with the requirements under section 28(2) of the Securities Exchange Act requirements as stated above, the number of shares repurchase should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with the Securities and Exchange Act requirements, the treasury shares held by the Company should not be pledged, and the shareholders do not have their rights before the shares are transferred.

vii) Capital management

The purpose of capital management for the Group is to sustain future development of business and to maintain investors creditor and market confidence.

The Group monitors and manages the capital structure periodically in order to strike a balance between investing high-rewards with heavy loans and maintaining stable and safe capital. It adjusts the capital structure based on economic environment.

In order to comply with operating activities, the Group takes liabilities to capital ratio as means of monitoring capital structure. The Group defines liabilities that total liabilities minus cash and cash equivalent, restricted deposits and time deposits. The Group's strategy is to keep liabilities to capital ratio within 100%.

(Continued)

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Current liabilities:				
—Short-term loans	$ 1,112,749	5,079,700	892,055	4,118,616
—Notes payable	5,462	24,933	1,028	4,743
—Accounts payable	84,023	383,563	94,438	436,020
—Other payables(including from related parties)	162,265	740,741	129,410	597,487
—Current tax liabilities	16,034	73,195	35,046	161,806
—Provisions - current	20,596	94,021	11,972	55,276
—Bonds payable due within a year	153,965	702,848	-	-
Non-current liabilities:				
—Long-term loans	343,921	1,570,000	231,752	1,070,000
—Bonds payable	-	-	149,240	689,040
—Deferred income tax liabilities	3,400	15,521	7,789	35,963
Total liabilities	1,902,415	8,684,522	1,552,730	7,168,951
Less: Restricted deposits (Note)	(284,637)	(1,299,369)	(104,506)	(482,503)
Cash and cash equivalents	(871,845)	(3,979,974)	(743,195)	(3,431,333)
Net liabilities	**$ 745,933**	**3,405,179**	**705,029**	**3,255,115**
Equity	**$ 2,248,500**	**10,264,403**	**2,190,831**	**10,115,068**
Debt to adjusted capital ratio	**33 %**	**33 %**	**32 %**	**32 %**

The Group did not change the policies of capital management in 2017 and 2016.

The Group did not been requested for other capital regulation.

(p) Earnings per share

Shares:thousand

	2017		2016	
	CNY	TWD	CNY	TWD
Basic EPS:				
Profit	**$ 215,426**	**971,035**	**312,877**	**1,517,110**
Weighted-average number of ordinary shares	**92,450**	**92,450**	**92,450**	**92,450**
Basic EPS (in Chinese Yuan and New Taiwan Dollars)	**$ 2.33**	**10.50**	**3.38**	**16.41**
Diluted EPS:				
Profit	$ 215,426	971,035	312,877	1,517,110
Effect of potentially dilutive ordinary shares				
—Conversion of convertible bonds	3,064	13,808	3,192	15,477
Profit (diluted)	**$ 218,490**	**984,843**	**316,069**	**1,532,587**

(Continued)

	2017		2016	
	CNY	TWD	CNY	TWD
Weighted-average number of ordinary shares	92,450	92,450	92,450	92,450
Effect of potentially dilutive ordinary shares				
—Conversion of convertible bonds	1,558	1,558	1,514	1,514
—Employee stock bonuses	170	170	202	202
Weighted-average number of ordinary shares outstanding (diluted)	**94,178**	**94,178**	**94,166**	**94,166**
Diluted EPS (in Chinese Yuan and New Taiwan Dollars)	**$ 2.32**	**10.46**	**3.36**	**16.28**

(q) Operating revenues

The Group's operating revenues in 2017 and 2016 were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
Sales of manufactured goods:				
Contact lenses	$ 1,205,930	5,434,884	1,157,368	5,611,962
Contact lens care solution	361,854	1,630,804	363,669	1,763,396
	1,567,784	7,065,688	1,521,037	7,375,358
Less: sales discount and allowance	247,885	1,117,168	172,383	835,868
	$ 1,319,899	**5,948,520**	**1,348,654**	**6,539,490**

(r) Compensation to employees, directors and supervisors

According to the Articles of Incorporation of the Company in the event that the Company's annual income before tax results in a profit after taking into account the accumulated losses, it shall, upon the approval of a majority of the Directors present at a meeting of the Directors attended by two-thirds (2/3) or more of the Directors, set aside 1.5~10% as employee bonuses; and shall, upon the approval of a majority of the Directors present at a meeting of the Directors attended by two-thirds (2/3) or more of the Directors, set aside 3% as Directors and Supervisors bonuses.

For the year ended December 31, 2017 and 2016, the employee bonuses amounted to TWD 58,888 thousand (CNY 13,067 thousand) and TWD 42,888 thousand (CNY 8,845 thousand); and the remuneration to directors and supervisors amounted to TWD 6,286 thousand (CNY 1,395 thousand) and TWD 8,030 thousand (CNY 1,656 thousand). According to the Articles of Incorporation, the amounts stated above were calculated using the profit before tax, multiplied by the distribution percentages of employee bonuses and compensation to directors and supervisors, and are recognized as operating costs or operating expenses for each period.

In 2016, the Group actual paid in employee bonuses and the remuneration to directors and supervisors amounted were NTD 49,957 thousand (RMB 11,175 thousand) and TWD 10,369 thousand (RMB 2,319 thousand), respectively. The actual paid for employee bonuses and the remuneration to directors and supervisors in financial report are higher, the difference is NTD 9,408 thousand (RMB 2,105 thousand) identified as the change of estimating, which accounted to the loss of financial statement. Please refer to the Market Observation Post System for more information.

(s) Non-operating income and expenses

i) Other income

	2017		2016	
	CNY	TWD	CNY	TWD
Interest income from bank deposits	$ 6,536	29,456	3,700	17,940
Subsidy income from government	2,780	12,529	9,725	47,155
Others	3,197	14,410	2,136	10,360
	$ 12,513	**56,395**	**15,561**	**75,455**

Subsidy income from the governments was the unconditional subsidy given from Mainland China government for rewarding the contribution to local economic development during the period of report.

ii) Other gains or losses

	2017		2016	
	CNY	TWD	CNY	TWD
Gains (Losses) on financial assets and liabilities at fair value through profit or loss	$ -	-	39	194
Foreign exchange gains or losses	37,051	166,981	(17,970)	(87,133)
Losses on disposal of property, plant, and equipment	(12,595)	(56,764)	(4,814)	(23,346)
Repurchase losses on bond payable	-	-	(2,912)	(14,320)
Account receivable factoring	-	-	(5,536)	(26,844)
Bank fees	(2,285)	(10,298)	(661)	(3,202)
Donation contributions	(237)	(1,068)	(1,376)	(6,670)
Others	2,241	10,101	1,450	7,221
	$ 24,175	**108,952**	**(31,780)**	**(154,100)**

iii) Financial costs

	2017		2016	
	CNY	TWD	CNY	TWD
Interest expenses of bank loans	$ 30,357	136,815	17,185	83,329
Interest expenses of bonds payable	3,064	13,808	3,192	15,477
	$ 33,421	150,623	20,377	98,806

(t) Financial risk management and fair value

i) Credit risk

The Group' s credit risk was mainly from accounts receivable and other receivable. The management had established policies and monitored the confronting risk continuously.

The Group aimed at the customer whose accounts receivable exceeded the credit limit, and proceeded with credit valuation. This valuation emphasized the customer's paying history, debt-paying abilities and relevant information.

Each customer has different payment term ranging from 90~300 days according to each credit grade. If needed, the Group will request customer to provide collateral to reduce the risk of financial loss due to uncollectible accounts receivable. The Group should redeem its overdue receivables before giving extra credits to customers. It will need additional approval when unexpected incident occurs.

Please refer to Note 6(c) for the disclosure of the Group' s maximum amount of credit risk exposure in accounts receivable and other receivables.

The Group's credit risk is mainly influenced by individual customer not by the integral economic environment of customer' s industry because material credit risk is arising from material transactions between the Group and customers.

The Group's top 5 customers consist 30% and 43% of its accounts receivable as of December 31, 2017 and 2016.

Because the Group deposited restricted deposits, cash and cash equivalents in huge banks in Taiwan and China and considered that quality of credit was great, and therefore there was no material credit risk.

The largest credit risk of each financial asset was the balance of deducting allowance for impairment. The Group didn't have any credit risk due to guarantee.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the financial obligation. Each subsidiary had the responsibility for each cash management including the demand of bank loans approved by each board of directors' meeting. The Group's policies were to check for current and expected liquidity standard periodically, to ensure to have sufficient cash to reimburse short-term and long-term liabilities.

(Continued)

	December 31, 2017							
	Carrying amount		Nominal principal		Within 1 year		Long-term	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Secured loans	$ 560,312	2,557,827	535,079	2,442,637	535,079	2,442,637	-	-
Unsecured loans	552,437	2,521,873	591,308	2,699,321	591,308	2,699,321	-	-
Accounts payable and other payables (excluding advances from customers)	238,880	1,090,487	238,880	1,090,487	238,880	1,090,487	-	-
Long-term loans expire one year	153,965	702,848	155,641	710,500	155,641	710,500	-	-
Long-term loans	343,921	1,570,000	368,775	1,683,458	-	-	368,775	1,683,458
Total	**$ 1,849,515**	**8,443,035**	**1,889,683**	**8,626,403**	**1,520,908**	**6,942,945**	**368,775**	**1,683,458**

	December 31, 2016							
	Carrying amount		Nominal principal		Within 1 year		Long-term	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Secured loans	$ 381,142	1,759,733	386,289	1,783,496	386,289	1,783,496	-	-
Unsecured loans	489,913	2,261,926	494,855	2,284,746	494,855	2,284,746	-	-
Accounts payable and other payables (excluding advances from customers)	214,447	990,099	214,447	990,099	214,447	990,099	-	-
Bonds payable	21,000	96,957	23,628	109,090	23,628	109,090	-	-
Letter of credit loans	149,240	689,040	153,888	710,500	153,888	710,500	-	-
Long-term loans	231,752	1,070,000	252,539	1,165,973			252,539	1,165,973
Total	**$ 1,487,494**	**6,867,755**	**1,525,646**	**7,043,904**	**1,273,107**	**5,877,931**	**252,539**	**1,165,973**

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

iii) Interest rate risk

i. Interest rate table

	December 31, 2017		
	CNY	TWD	Average interest rate (%)
Fixed interest rate:			
Time deposits (booked as cash and cash equivalents)	$ 262,790	1,199,636	1.43
Restricted deposits (booked as other current assets)	284,637	1,299,369	2.06
Bank loans	(858,831)	(3,920,564)	3.98
	$ (311,404)	**(1,421,559)**	
Variable interest rate:			
Cash and cash equivalents	$ 608,048	2,775,740	0.25
Bank loans	(597,839)	(2,729,136)	2.16
	$ 10,209	**46,604**	

(Continued)

	December 31, 2016		
	CNY	TWD	Average interest rate (%)
Fixed interest rate:			
Time deposits(booked as cash and cash equivalents)	$ 259,945	1,200,166	2.17
Restricted deposits(booked as other current assets)	104,506	482,503	2.26
Bank loans	(720,066)	(3,324,545)	3.31
	$ **(355,615)**	**(1,641,876)**	
Variable interest rate:			
Cash and cash equivalents	$ 474,799	2,192,152	0.31
Bank loans	(403,741)	(1,864,071)	2.00
	$ **71,058**	**328,081**	

ii. Sensitivity Analysis

The Company is exposed to interest risk arising from changes in interest rates that would affect the future cash flows and the fair value. Assuming the amount of the floating interest rate of the bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical increase/ decrease in interest rates of 1% (100 basis point) would have resulted in an increase/ decrease in the interest expense, net of tax, by approximately CNY 2,507 thousand (TWD 11,444 thousand) and CNY 586 thousand (TWD 2,839 thousand) for the years ended December 31, 2017 and 2016, respectively.

To manage its exposure on the fair value fluctuations of the financial instruments, the assumption stated above is used as the basis for evaluation on the reporting date.

iv) Foreign exchange risk

The related information on the financial assets and liabilities that are expose to foreign exchange risk were as follows:

	Amounts	Rate	CNY	TWD
December 31, 2017				
Financial assets				
USD	$ 11,265	6.5192	73,439	335,249
JYP	1,444,003	0.0579	83,608	381,671
MYR	1,397	1.5492	2,164	9,879
HKD	10,431	0.8340	8,699	39,711
Financial liabilities				
USD	95,911	6.5192	625,263	2,854,326
MYR	7,132	1.5492	11,049	50,439
JPY	104,240	0.0579	6,035	27,550

(Continued)

		Amounts	Rate	CNY	TWD
December 31, 2016					
Financial assets					
USD	$	11,572	6.9851	80,832	373,197
JYP		438,730	0.0597	26,192	120,914
HKD		1,552	1.4956	2,321	10,717
EUR		7	7.3424	51	237
GBP		429	0.9006	386	1,784
Financial liabilities					
USD		83,921	6.9851	586,197	2,706,470
JPY		5,155	1.4956	7,710	35,595
MYR		35,700	0.0597	2,131	9,839

The related information on the foreign exchange risk at the reporting date that affects the net income and retained earnings were as follows:

		Increase(decrease) in net income and retained earnings			
		December 31, 2017		December 31, 2016	
		CNY	TWD	CNY	TWD
USD					
－CNY appreciation 5%	$	22,972	104,867	20,804	100,878
－CNY depreciation 5%		(22,972)	(104,867)	(20,804)	(100,878)
JPY					
－CNY appreciation 5%		(3,228)	(14,736)	(911)	(4,807)
－CNY depreciation 5%		3,228	14,736	911	4,807
Other					
－CNY appreciation 5%		8	37	204	989
－CNY depreciation 5%		(8)	(37)	(204)	(989)

The exchange rate risk is the change in foreign currency rate that leads to the risk of the fluctuation of financial derivative instruments' fair value or the fluctuation in cash flows. The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents restricted deposits, loans, accounts receivable and other receivables, accounts payables and other payables. If other variables remains unchanged, a weakening or strengthening 5% of appreciation or depreciation of CNY and TWD against USD, JPY and other currencies would occur. In 2017 and 2016, the Group would have increased or decreased the net profit by CNY 19,752 thousand (TWD 90,168 thousand) and CNY 20,097 thousand (TWD 97,060 thousand), respectively.

The analysis is performed on the same basis for both periods, and the analysis exclude the difference of the conversion of the currency. The difference arise from converting the currency of foreign operating corporation to the Group.

(Continued)

v) Fair value information

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance with the regulations.

i. Categories and fair value of financial instruments.

The table below analyze the financial instruments to their fair value according to the valuation method.

Currency: CNY thousand

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 871,845	-	-	-	-
Accounts receivable, notes receivable and other receivables (including- related parties)	1,072,348	-	-	-	-
Other financial assets	284,637	-	-	-	-
Total	**$ 2,228,830**	-	-	-	-
Financial liablities measured at amortized cost					
Short-term loans	$ 1,112,749	-	-	-	-
Accounts payable, notes payable, and other payables (not including prepayments)	238,880	-	-	-	-
Long-term liabilities, current portion	153,965	-	-	-	-
Long-term bank loans	343,921	-	-	-	-
Total	**$ 1,849,515**	-	-	-	-

	December 31, 2016				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 743,195	-	-	-	-
Accounts receivable, notes receivable and other receivables (including- related parties)	1,283,401	-	-	-	-
Other current assets	104,506	-	-	-	-
Total	**$ 2,131,102**	-	-	-	-
Financial liablities at amortized cost:					
Short-term loans	892,055	-	-	-	-
Accounts payable, notes payable, and other payable (not including prepayments)	214,447	-	-	-	-
Bonds payable	149,240	-	-	-	-
Long-term loans	231,752	-	-	-	-
Total	**$ 1,487,494**	-	-	-	-

(Continued)

Currency: TWD thousand

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,979,974	-	-	-	-
Accounts receivable, notes receivable and other receivables (including- related parties)	4,895,268	-	-	-	-
Other financial assets	1,299,369	-	-	-	-
Total	$ 10,174,611	-	-	-	-
Financial liablities at amortized cost:					
Short-term loans	$ 5,079,700	-	-	-	-
Accounts payable, notes payable, and other payables (not including prepayments)	1,090,487	-	-	-	-
Long-term liabilities, current portion	702,848	-	-	-	-
Long-term bank loans	1,570,000	-	-	-	-
Total	$ 8,443,035	-	-	-	-

	December 31, 2016				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,431,333	-	-	-	-
Accounts receivable, notes receivable and other receivables (including- related parties)	5,925,458	-	-	-	-
Other current assets	482,503	-	-	-	-
Total	$ 9,839,294	-	-	-	-
Financial liablities at amortized cost:					
Short-term loans	4,118,616	-	-	-	-
Accounts payable, notes payable, and other payables (not including prepayments)	990,099	-	-	-	-
Bonds payable	689,040	-	-	-	-
Long-term bank loans	1,070,000	-	-	-	-
Total	$ 6,867,755	-	-	-	-

ii The fair value of conversion options issued by the Group were computed by the Binominal Option Pricing Model.

iii Fair value hierarchy

The table below shows the financial instruments carried at fair value by the levels in the fair value hierarchy. The different level have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(Continued)

2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

iv Transfer between level 1 and level 2's financial instrument.

There was no significant transfer from level 2 to level 1 in the fair value hierarchy in 2017 and 2016.

(7) Related party transactions

(a) The ultimate parent company

The Company is the ultimate controlling party of the Group.

(b) Names of related parties and their relationship

In the consolidated financial statement period all the transactions are as follows:

Names of the related parties	Relationships between its parent company
FOROSA Optical Technology Co., Ltd (FOROSA)	Has significant influence to the Group
Pao Optical Co., Ltd (Pao Lien)	Other related parties
Kabayashi Optical co., Ltd. (Kobayashi)	Other related parties
GRACE WAY ENTERPRISE Co., Ltd (GRACE WAY)	Other related parties
Jiangsu East Optics Co., Ltd (Jiangsu East)	Other related parties
Shanghai Jusheng Optics Co., Ltd (Jusheng)	Other related parties
Sunder Biomedical Tech Co., Ltd (Sunder)	Other related parties
JIANGSU SUNDEX BIO-TECH Co., Ltd. (SUNDEX)	Other related parties
Lian Chan Precision Co., Ltd. (Lian Chan)	Other related parties

(c) Significant transactions between its related parties

i) Revenue

The amounts of significant selling transactions between the Group and related parties were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
Other related parties – Pao Lien	$ 110,332	497,245	77,643	376,484
Other related parties – Kabayashi	14,976	67,495	14,476	70,191
	$ 125,308	**564,740**	**92,119**	**446,675**

(Continued)

There were no significant differences in terms and conditions of the sales to associates between those provided to third parties. The price is determined by the regional economic environment and the market competition.

ii) Purchases from related parties

	2017		2016	
	CNY	TWD	CNY	TWD
Other related parties-Lian Chan	$ 2,499	11,264	-	-

There were no significant differences in terms and conditions of the transactions to associates between those provided to third parties.

iii) Lease from related parties

i. Rental expense

	2017		2016	
	CNY	TWD	CNY	TWD
Entity with significant influence over the Group-FOROSA	$ 1,127	5,143	943	4,571
Other related parties-GRACE WAY	5,495	24,765	6,532	31,674
	$ 6,622	29,908	7,475	36,245

There were no significant differences in terms and conditions of the transactions to associates between those provided to third parties. As of December 31, 2017 and 2016, the prepaid lease and property costs of CNY 9,193 thousand (TWD 41,967 thousand) and CNY 6,839 thousand (TWD 31,576 thousand) were accounted for in other receivables - related parties.

Please see the following of contract and supplemental agreement of leases deposit and refundable deposit.

ii. Refundable deposits

The Group does not engage in such transactions with other vendors and no comparable information is available.

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Entity with significant influence over the Group-FOROSA	$ 154	700	152	700
Other related parties-GRACE WAY	-	-	10,000	46,170
	$ 154	700	10,152	46,870

iv) Receivables from related parties

The receivables from related parties of the Group were as follows:

Account	Classification of related parties	December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Accounts receivable	Other related parties -Pao Lien	$ 18,413	84,055	17,933	82,798
	Other related parties -Kobayashi	4,661	21,278	4,324	19,964
	Other related parties-SUNDEX	296	1,353	-	-
		$ 23,370	106,686	22,257	102,762

Account	Classification of related parties	December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Other receivables	Entity with significant influence over the Group-FOROSA	$ 154	700	152	700
	Other related parties -GRACE WAY	9,193	41,967	14,988	69,199
	Other related parties -Jiangsu East	-	-	11,598	53,548
	Other related parties -Jusheng	3,700	16,891	14,572	67,279
	Other related parties -SUNDEX	931	4,249	-	-
	Other related parties -Sunder	15	71	13	61
		$ 13,993	63,878	41,323	190,787

The other receivables-related parties above are primary composed of prepaid lease payment and property costs, lease deposit, disbursement of advertising and activity costs and service expense for delivery.

v) Payables to related parties

The payables to related parties of the Group were as follows:

Account	Classification of related parties	December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Accounts payable	Other related parties -Lian Chan	$ 1,095	5,000	-	-

(Continued)

Account	Classification of related parties	December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Other payables	Other related parties -Pao Lien	$ 42	190	264	1,221
	Other related parties -GRACE WAY	-	-	1,851	8,547
	Other related parties	2,112	9,644	328	1,512
		$ 2,154	**9,834**	**2,443**	**11,280**

The other payables-related parties are primary composed of rent payable, support advertising payable, and shareholder accounts.

(d) Compensation of key management personnel

The compensation to the key management personnel was as follows:

	2017 CNY	2017 TWD	2016 CNY	2016 TWD
Short-term employee benefits	**$ 10,430**	**47,004**	**8,505**	**41,239**

(8) Pledged assets

Name of Pledged Assets	Subject of Pledged Assets	December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Other financial asset:					
Certificate deposits	Short-term loan	$ 284,210	1,297,420	103,885	479,633
Certificate deposits	Public utility guarantee	427	1,949	545	2,520
Certificate deposits	Industry-university cooperative guarantee	-	-	76	350
Property, plant, and equipment:					
Building	Long-term and Short-term loans	155,313	709,004	157,192	725,755
Machinery	Short-term loans	64,581	294,812	69,278	319,857
Other non-current asset:					
Land use right	Short-term loans	12,195	55,670	12,271	56,655
		$ 516,726	**2,358,855**	**343,247**	**1,584,770**

(Continued)

(9) Commitments and contingencies

(a) Capital expenditure:

i) Unrecognized contractual commitments are as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Signed contracts	$ 222,460	999,268	174,056	803,617

ii) The Group's outstanding standby letter of credit are as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Standby letter of credit	$ -	-	139,702	645,000

(b) Commitment of operating lease:

i) The Group signed two land leases from the Central Taiwan Science Park, which one of them is for 15 years (from February, 2016 to December 2030) and another one is for 20 years (from June, 2011 to June, 2031). The rents for each month is TWD 677 thousand (CNY 139 thousand).

ii) The non-cancellable future lease payments under the operating leases in December 31, 2017 and 2016, were as follows:

	December 31, 2017		December 31, 2016	
	CNY	TWD	CNY	TWD
Less than 1 year	$ 4,344	19,513	9,485	43,792
Between 1 and 5 years	8,245	37,036	17,467	80,784
More than 5 years	1,893	8,503	16,791	77,381
	$ 14,482	65,052	43,743	201,957

iii) Expenses recognized in profit or loss in respect of operating leases were as follows:

	2017		2016	
	CNY	TWD	CNY	TWD
	$ 15,568	69,930	13,909	64,218

(10) Losses due to major disasters: None.

(Continued)

(11) Subsequent events

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by TWD 1,034 thousand (CNY 227 thousand).

(12) Others

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function, were as follows:

Currency: CNY thousand

Function	2017			2016		
Account	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit						
Salary	147,480	68,085	215,565	123,568	57,515	181,083
Health and labor insurance	17,228	5,666	22,894	12,855	5,179	18,034
Pension	7,186	6,527	13,713	11,461	4,970	16,431
Others	21,737	7,911	29,648	17,158	6,231	23,389
Depreciation	97,727	17,478	115,205	89,227	15,971	105,198
Amortization	-	4,203	4,203	3	5,213	5,216

Currency: TWD thousand

Function	2017			2016		
Account	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit						
Salary	664,665	306,844	971,509	599,169	278,884	878,053
Health and labor insurance	77,642	25,536	103,178	62,333	25,112	87,445
Pension	32,388	29,418	61,806	55,573	24,099	79,672
Others	97,965	35,653	133,618	83,197	30,213	113,410
Depreciation	440,436	78,770	519,206	432,655	77,444	510,099
Amortization	-	18,943	18,943	15	25,277	25,292

(13) Other disclosures

(a) Related information of material transaction

According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group should disclose related information of material transactions on December 31, 2017 were as follows:

i) Loan to others：

Unit: TWD thousand

Number	Company	Loan objects	Accounts	Related party	The highest balance this period	Ending balance	Actual used balance this period (Note 4)	Interest rate period	Property (Note 2)	Transaction amounts	Necessary reason for short-term finance	Allowance for doubtful accounts	Pledged name	Pledged value	The limit of each loan object (Note 1)	The limit of total loan objects (Note 2)
1	Haichang Contact Lens Co., Ltd.	Prosper Link International Ltd.	Other receivable from related parties	Y	547,800 (CNY120,000)	547,800 (CNY120,000)	205,425 (CNY45,000)	1.500 %	2	-	Operation turnover	-		-	3,328,107	3,328,107
3	Yung Sheng Optical Co.,Ltd	Ginko International Co., Ltd	Other receivable from related parties	Y	200,000	200,000	-	1.035 %	2	-	Operation turnover	-		-	1,088,559	1,088,559
3	Yung Sheng Optical Co.,Ltd	Prosper Link International Ltd.	Other receivable from related parties	Y	205,425 (CNY45,000)	-	-	1.500 %	2	-	Operation turnover	-		-	1,088,559	1,088,559
5	Master Harvest Global Ltd.	Yungsheng Japan	Other receivable from related parties	Y	31,255 (JPY118,300)	31,255 (JPY118,300)	22,008 (JPY83,300)	1.800 %	2	-	Operation turnover	-		-	46,530	46,530

Note 1：According to the loan operating procedure, if the counterparty is a 100% owned overseas subsidiary, directly or indirectly, by the Group, the loan is not limited to 40% of the net equity of the Group.
Note 2：The total loan limit to all parties of the Group should not be over 40% of total equity.
Note 3：Nature of financial activities is as follows:
According to the table 5-1 of Regulations Governing the Preparation of Financial Reports by Securities Issuers and rule of Market Observation Post System, "1" means that it is necessary to transaction "2" means that it is necessary to loan to other parties.
Note 4：The transactions within the Group are eliminated in the consolidated financial statements.

ii) Guarantee for others：

Unit: TWD thousand

Number	Guarantee company	Guaranteed objects Company	Guaranteed objects Relation (Note 3)	The limit of endorsement to single company (Note 1)	The highest balance of endorsement this period	Balance of endorsement at the end	Actual used amounts	Amounts of endorsement with pledged assets	Accumulated guarantee deposit of endorsement to net value of recent financial statement ratio	The highest amount of endorsement (Note 2)	Parent-to-subsidiary endorsement	Subsidiary – to-parent endorsement	Endorsement to China area
0	Ginko International Co., Ltd.	Yung Sheng Optical Co., Ltd	2	5,134,286	2,750,000	2,450,000	2,300,000	-	23.86 %	5,134,286	Y	N	N
0	Ginko International Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	5,134,286	1,041,600 (USD35,000)	297,600 (USD10,000)	297,600 (USD10,000)	-	2.90 %	5,134,286	Y	N	Y
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co., Ltd.	3	4,160,134	257,000 (CNY40,000) (USD2,500)	68,475 (CNY15,000)	-	-	0.82 %	4,160,134	Y	N	Y
1	Haichang Contact Lens Co., Ltd.	Ginko International Co., Ltd	4	4,160,134	595,200 (USD20,000)	-	-	-	- %	4,160,134	N	Y	N

(Continued)

Number	Guarantee company	Guaranteed objects		The limit of endorsement to single company (Note 1)	The highest balance of endorsement this period	Balance of endorsement at the end	Actual used amounts	Amounts of endorsement with pledged assets	Accumulated guarantee deposit of endorsement to net value of recent financial statement ratio	The highest amount of endorsement (Note 2)	Parent-to-subsidiary endorsement	Subsidiary-to-parent endorsement	Endorsement to China area
		Company	Relation (Note 3)										
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	4	1,720,801	1,095,600 (CNY240,000)	684,750 (CNY150,000)	410,850 (CNY90,000)	-	19.90 %	1,720,801	N	Y	Y

Note 1 : According to the guarantee operating procedure, the total guarantee provided to outside parties is limited to 50% of the net equity of the Group. The guarantee provided to a single entity is limited to 20% of the net equity. However, if the counterparty is a 100% owned subsidiary, directly or indirectly, by the Group, the guarantee provided is limited to 50% of the net equity of the Group.
Note 2 : The aggregate amount of guarantee is limited to fifty-percent of the Group's total equity.
Note 3 : Relationship with guaranteed objects:
According to the table 5-2 of Regulations Governing the Preparation of Financial Reports by Securities Issuers and rule of Market Observation Post System, "2" is for direct holding more than 50% of investee. "3" is for holding more than 50% of investee by parent and subsidiaries. "4" is for holding more than 50% of parent directly by the company or indirectly by the subsidiaries.
Note 4 : According to the guarantee operating procedure, the Group and subsidiaries' guarantee of aggregate amount is limited to fifty-percent of the Group's total equity.

iii) Condition of holding securities in ending period(excluded investment in subsidiary, investment in associates and part of joint control):None.

iv) The accumulated buying or selling amounts of the same security are up to TWD 300 million or more than 20% capital:None.

v) The amounts of acquiring properties are up to TWD 300 million or more than 20% capital:None.

vi) The amounts of disposal of properties are up to TWD 300 million or more than 20% capital: None.

vii) The amounts of merchandising and sell from related party are up to TWD 100 million or more than 20% capital :

Unit: TWD thousand

Company	Transaction object	Relationship	Condition of transaction				The reason and condition of difference between condition and normal transaction		Accounts and Notes receivable(payable)		Note
			(Merchandise (sell)	Amounts	To total merchandise (sell) ratio%	Credit period	Price per unit	Credit period	Balance (Note 2)	To total accounts and notes receivable (payable) ratio%	
Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	Subsidiary	(sell)	1,063,693	17.88	300 days	-	Note 1	2,190,375	48.19	
Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	Subsidiary	(sell)	1,006,437	16.92	300 days	-	Note 1	1,767,816	38.90	
Yung Sheng Optical Co.,Ltd	Haichang Contact Lens Co., Ltd.	Subsidiary	(sell)	433,482	7.29	60 days	-	Note 1	179,050	3.94	
Yung Sheng Optical Co.,Ltd	Shanghai Horien Contact Lens Optical Co.,Ltd	Subsidiary	(sell)	124,232	2.09	40 days	-	Note 1	71,357	1.57	
Yung Sheng Optical Co.,Ltd	Pao Lien Optical Co., Ltd.	Affiliated company	(sell)	497,245	8.36	40 days	-	Note 1	84,055	1.85	

Note 1 : The payment is adjusted according to capital management.
Note 2 : The transactions within the Group are eliminated in the consolidated financial statements.

(Continued)

viii) The amounts of accounts receivable from related party are up to TWD 100 millions or more than 20% capital：

Unit: TWD thousand

Company	Transaction objects	Relationship	Balance of accounts receivable from related parties (Note 3)	Turnover rate	Overdue accounts receivable from related parties		Recover of Accounts receivable from related parties after the period	Recognize allowance for doubtful accounts
					Amounts	Way of handle		
Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	Subsidiary	2,190,375 (CNY479,819)	0.53	1,114,065 (CNY244,045)	Note 1	182,600 (CNY40,000)	Note 2
Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	Subsidiary	1,767,816 (CNY387,254)	0.60	751,139 (CNY164,543)	Note 1	45,650 (CNY10,000)	Note 2
Yung Sheng Optical Co.,Ltd	Haichang Contact Lens Co., Ltd.	Subsidiary	179,050 (CNY39,222)	2.99	- (CNY-)	Note 1	- (CNY-)	Note 2

Note 1：The payment is adjusted according to capital management.
Note 2：No impairment loss is recognized.
Note 3：The transactions within the Group are eliminated in the consolidated financial statements.

ix) Derivative:None.

x) The condition of business relationship and of material transaction between parent and subsidiaries:

Unit: TWD thousand

Number	Name	Objects	Relationship with trader (Note 2)	Condition of transaction in 2016			
				Accounts	Amounts	Transaction condition	To total revenue or to total assets ratio
1	Haichang Contact Lens Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Sales	67,873	Note 1	1.14 %
1	Haichang Contact Lens Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Accounts receivables	-	Note 1	- %
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	3	Sales	1,063,693	Note 2	17.88 %
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	3	Accounts receivables	2,190,375	Note 2	11.56 %
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Sales	1,006,437	Note 1	16.94 %
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Accounts receivables	1,767,816	Note 1	9.33 %
3	Yung Sheng Optical Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Sales	433,482	Note 1	7.29 %
3	Yung Sheng Optical Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Accounts receivables	179,050	Note 1	0.94 %
3	Yung Sheng Optical Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Sales	19,815	Note 1	0.33 %
3	Yung Sheng Optical Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Accounts receivables	-	Note 1	- %
3	Yung Sheng Optical Co., Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd. (Shanghai Fushiyuan)	3	Sales	124,232	Note 2	2.09 %
3	Yung Sheng Optical Co., Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd. (Shanghai Fushiyuan)	3	Accounts receivables	71,357	Note 2	0.38 %
3	Yung Sheng Optical Co., Ltd.	Yungsheng Japan	1	Sales	83,512	Note 2	1.40 %
3	Yung Sheng Optical Co., Ltd.	Yungsheng Japan	1	Accounts receivables	26,974	Note 2	0.14 %
3	Yung Sheng Optical Co., Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	3	Sales	18,974	Note 2	0.32 %
3	Yung Sheng Optical Co., Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	3	Accounts receivables	43,155	Note 2	0.23 %
3	Yung Sheng Optical Co., Ltd.	Ginko International Co., Ltd	2	Other receivables	6,885	Note 1	0.04 %
5	Master Harvest Global Ltd.	Yungsheng Japan	1	Other receivables	24,068	Note 1	0.13 %

(Continued)

Note 1 : The Group does not have similar transaction with normal customers, and therefore there is no comparable information. The transactions within the Group are eliminated in the consolidated financial statements.
Note 2 : There were no significant differences in terms and conditions of the selling price and credit limit offered to associates and those of third parties and normal customers. The price is determined by the regional economic environment and the market competition. The transactions within the Group are eliminated in the consolidated financial statements.
Note 3 : The number represents the following:
1. Parent to subsidiary
2. Subsidiary to parent
3. Subsidiary to subsidiary

(b) Related information of reinvestment :

The Group's information on investees (excluded investees in Mainland China) for the years ended in 2017 was as follows:

Unit: TWD thousand/thousand shares

Investor	Investee	Location	Main operation	Original investment amounts		Holding in ending period			Investee's net income or losses	Recognized investment gain or losses	Note
				Ending this year	Ending last year	shares	rate	carrying amount			
Ginko International Co., Ltd.	Prosper Link International Ltd.	British Virgin Islands	Investment control	44,275 (USD1,480)	5,965 (USD200)	4,280	100.00 %	11,224,623	778,823	778,823	
〃	Yung Sheng Optical Co.,Ltd.	Taiwan	Merchandise and sale of contact lenses and care solution	1,560,000	1,560,000	156,000	100.00 %	2,721,398	213,048	211,630	
Prosper Link International Ltd.	Haichang International Ltd.	Hong Kong	Investment control	38,080 (HKD11,000)	3,843 (HKD1,000)	1,100	100.00 %	11,421,890	754,158	754,158	
Haichang Contact Lens Co., Ltd.	Gain Bless Management Ltd.	British Virgin Islands	Investment control	37,449 (USD1,150)	37,449 (USD1,150)	1,150	100.00 %	22,022	(6,773)	(6,773)	
Gain Bless Management Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	Malaysia	Sale of contact lenses and care solution	32,053 (USD971)	32,053 (USD971)	1,750	70.00 %	16,831	(9,609)	(6,726)	
Yung Sheng Optical Co., Ltd.	Master Harvest Global Ltd.	Anguilla	Investment control	154,607 (USD5,000)	66,408 (USD2,100)	5,000	100.00 %	116,326	(33,750)	(33,750)	
Master Harvest Global Ltd.	Yungsheng Japan	Japan	Sale of contact lenses and care solution	20,192 (JPY63,700)	20,192 (JPY63,700)	6,300	70.00 %	(5,642)	(30,292)	(21,205)	

(c) Information of China investment :

i) Related information of investee's name, main operations.....etc in China :

Unit:TWD thousand

Investee in China	Main operation items	Capital	Investment way	Beginning accumulate invest-remitting amount from Taiwan this period	Remittance or withdraw investment during the period		Ending accumulate invest-remitting amount from Taiwan this period	Investee's net income	The Company 's holding ratio of direct or indirect investment	Recognized gains or losses	Ending carrying amount	Investment gain remitted back as of the end
					Remittance	Withdraw						
Haichang Contact Lens Co., Ltd	Merchandise and sale of contact lenses and care solution	1,688,079 (CNY56,319)	(Note 1)	111,152	-	-	111,152	623,738	100.00 %	623,738	8,320,267	588,690
Jiangsu Horien Contact Lens Co., Ltd.	Merchandise and sale of contact lenses and care solution	72,090 (CNY15,000)	(Note 1) (Note 2)	9,610	-	-	9,610	356,160	100.00 %	356,160	3,441,601	-
Shanghai Horien Contact Lens Optical Co.,Ltd	Sale of contact lenses and care solution	380,020 (CNY75,000)	(Note 2)	-	-	-	-	(139,858)	100.00 %	(139,858)	487,263	-
Shanghai Fushiyuan Contact Lens Co., Ltd.	Sale of contact lenses and care solution	68,670 (CNY15,000)	(Note 2)	-	-	-	-	19,276	100.00 %	19,276	133,708	-

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Note 1 : Remittance from Ginko International Co., Ltd. through Prosper Link International Ltd. and Haichang International Ltd..
Note 2 : Remittance from Haichang Contact Lens Co., Ltd. with its own equity.
Note 3 : Investment incomes or losses were recognized under equity method and based on the financial report audited by international accounting firms cooperating with ROC accounting firms.

ii) Investment limit for China :

Unit: TWD thousand

Ending accumulated amounts of China investment from Taiwan this period	Investment amounts approved by Investment Commission, MOEA	China investment limit according to Investment Commission, MOEA
120,762	120,762	Note 1

Note 1 : For the foreign issuer listed in TPEx in Taiwan, the investment in China is not subject to the limitation by the Investment Commission, MOEA.

iii) Please refer to Note 13(a) x for material transaction between subsidiary in China.

(14) Segment Information

The Group managed operation by operation segment. The Group presented internal information of resource distribution and performance to the team of board member with consistent method. The Group verified reportable segment as follows:

(a) General Information

The Group has only one reportable segment. This segment is mainly involved in the manufacturing, developing and selling of contact lenses and contact lens care solution.

(b) Regional information

Besides, the Group's information of regional assets and liabilities was as follows:

December 31, 2017	China		Taiwan and beyond the borders		Adjustment and elimination		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Total assets	$ 2,587,659	11,812,664	2,264,794	10,338,785	(701,538)	(3,202,524)	4,150,915	18,948,925
Total liabilities	$ 446,670	2,039,049	2,157,283	9,847,997	(701,538)	(3,202,524)	1,902,415	8,684,522

December 31, 2016	China		Taiwan and beyond the borders		Adjustment and elimination		Total	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Total assets	$ 2,760,651	12,745,926	1,777,260	8,205,607	(794,350)	(3,667,514)	3,743,561	17,284,019
Total liabilities	$ 550,361	2,541,017	1,796,719	8,295,448	(794,350)	(3,667,514)	1,552,730	7,168,951

The Group' s regional information was as follows. The classification of revenue based on geographical locations of customers and the classification of non-current assets based on the geographical location of the assets.

Regional		2017 CNY	2017 TWD	2016 CNY	2016 TWD
External sales:					
China	$	924,853	4,168,125	1,087,005	5,270,779
Taiwan		261,842	1,180,070	175,539	851,172
Northeast Asia		92,204	415,545	55,732	270,239
Europe		33,401	150,532	23,695	114,895
Southeast Asia		6,696	30,178	5,535	26,839
North America		-	-	47	228
Other country		903	4,070	1,101	5,338
Total	$	**1,319,899**	**5,948,520**	**1,348,654**	**6,539,490**

		December 31, 2017 CNY	December 31, 2017 TWD	December 31, 2016 CNY	December 31, 2016 TWD
Non-current assets:					
China	$	472,060	2,154,954	491,646	2,269,930
Taiwan		899,088	4,104,335	604,070	2,788,993
Malaysia		112	512	121	559
Japan		628	2,865	241	1,114
Total	$	**1,371,888**	**6,262,666**	**1,096,078**	**5,060,596**

Non-current assets included property, plant and equipment, intangible assets, prepayment of equipment and other non-current assets. However, non-current assets excluded financial instruments and deferred tax assets.

(15) Total difference illustration between IFRS and the IFRS approved by Financial Supervisory Commission R.O.C

There are some differences between IFRS and the IFRS approved by Financial Supervisory Commission R.O.C on specific aspect and the differences have no material effect on the Group's consolidated balance sheet on December 31, 2017 and 2016 and consolidated income statement, consolidated statement of changes in equity and consolidated statment of cash flow for the years ended December 31, 2017 and 2016.

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